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U.S. FEDERAL TRADE COMMISSION

APPLICATIONS, ANSWERS AND STATEMENTS CONCERNING THE SO-CALLED PITTSBURGH BASING POINT FOR STEEL

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APPLICATION OF THE WESTERN ASSOCIATION OF ROLLED STEEL CONSUMERS.

[The application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation, and its subsidiary companies hereinafter named; and the Inland Steel Co. and the Interstate Iron & Steel Co., and the Steel & Tube Co. of America.]

To the FEDERAL TRADE COMMISSION,
Washington, D. C.:

The Western Association of Rolled Steel Consumers, a voluntary association, whose address is at room 1305, City Hall Square Building, 139 North Clark Street, Chicago, Ill., respectfully makes application to the Commission to institute a proceeding in respect to the violations of law hereinafter mentioned, over which the Commission has jurisdiction, by the corporations hereinafter named; and for that purpose to issue a complaint directed against the United States Steel Corporation, a corporation organized under the laws of the State of New Jersey, having its principal offices and address at 71 Broadway, in the city of New York, and its subsidiary corporations hereinafter named, and whose respective addresses are at No. 71 Broadway, in the city of New York; the Inland Steel Co., whose address is at No. 38 South Dearborn Street, Chicago, Ill.; and the Interstate Iron & Steel Co., whose address is at No. 104 South Michigan Avenue, Chicago, Ill.; and the Steel & Tube Co. of America, whose address is at No. 111 West Washington Street, Chicago, Ill., on the grounds of unlawful restraint of trade and of price discrimination, contrary to the provisions of the antitrust acts, and in particular of section 2 of what is known as the Clayton Act of October 15, 1914; and of unfair competition in trade, contrary to the provisions of section 5 of the Federal Trade Commission act of September 26, 1914, against the constituent members of the petitioners' association, and to their injury in their business and against and to the injury of other steel fabricators operating in that portion of the United States that comprises generally the Central, Western, Northwestern, and Southwestern States, and their trade and customers, and all other consumers of products of rolled steel which are increasingly called for and needed and used in the rapid and growing development of the Middle West and the territory tributary to the Chicago district hereinafter referred to.

Petitioner association is composed of upward of 700 fabricators of steel, engaged in the manufacture and sale in interstate commerce of products of which rolled steel is a constituent part, and operating

in the States of Illinois, Indiana, Michigan, Wisconsin, Minnesota, Iowa, Kansas, Missouri, Montana, Nebraska, Oklahoma, South Dakota, Texas, Utah, Washington, Wyoming, Colorado, and California, all being tributary to what is known in the trade as the "Chicago District."

The United States Steel Corporation, respondent, through its subsidiary companies, which it owns and controls, among which are the Illinois Steel Co. and the Carnegie Steel Co., and such subsidiary companies under its direction and control, are and have been for a considerable time engaged in the production and sale in interstate commerce of rolled iron and steel, including plates, shapes, sheets, and bars, and other products of their rolling mills, having one of their principal producing plants at Gary, Ind., and operating other steel-producing plants at South Chicago, in the city of Chicago, and at Joliet, Ill.; Duluth, Minn.; Milwaukee, Wis.; Pittsburgh, Pa.; and elsewhere.

That the rolled-steel made in the Chicago district by respondent, United States Steel Corporation, through its subsidiary companies, at Chicago, and Joliet, Ill., and at Gary, Ind., and by respondents, Inland Steel Co., at Indiana Harbor, Ind., and by the Interstate Iron & Steel Co., at East Chicago, Ind., and the Steel & Tube Co. of America, at Indiana Harbor, Ind., is produced at a cost substantially lower than at the Carnegie plant of the United States Steel Corporation at Pittsburgh, Pa., or at other plants at Pittsburgh or at other places east of Gary or elsewhere, and that over one-fifth of the rolled steel made in the United States is made by the respondents at Gary, Ind., which is distant not more than 30 miles by rail from Chicago; at Joliet, which is about 40 miles from Chicago; East Chicago and Indiana Harbor, which are between Chicago and Gary; while Pittsburgh, Pa., is distant from Chicago substantially 500 miles. That among the reasons for the reduced or favorable cost of producing rolled steel at Gary and at Chicago, Joliet, East Chicago, and Indiana Harbor as compared with the cost of producing rolled steel at Pittsburgh or elsewhere are the shortness and directness of the all-water transportation of ore from the mines in Minnesota to their mills in the Chicago district and of their proximity to coal.

That Gary, Ind., is already the second largest producing district of rolled iron and steel and is the only large producer of practically the entire line of steel products outside of the Pittsburgh district.

That said very large Gary plant of the United States Steel Corporation was constructed in and from time to time since the year 1906, and was there constructed and from time to time enlarged in view of its favorable location for the economical production of rolled steel and its proximity to the market of the great consuming territory

of the rapidly growing Middle West and territory tributary thereto, in the development of which there has been and will be a rapidly increasing need and demand for iron and steel products, and the establishment in such district and territory of numerous and extensive industries for their fabrication to meet such demand. Applicant is informed and thereon states that the plants of the respondents at Gary, Chicago, Joliet, East Chicago, and Indiana Harbor have from time to time been rapidly enlarged and are now in course of further extensive enlargements. In 1917, the year [for] which the last official statistics were accessible, about 86 per cent of the entire production of iron ore came from the Lake Superior district, while 10 per cent thereof came from the Birmingham district, 2½ per cent from the three States of Pennsylvania, New York, and New Jersey, and 1½ per cent from Colorado. That the greatest normal growth and increase in iron and steel production under peace conditions will naturally and normally be in and about Chicago, where the great plants at Gary, Chicago, Joliet, East Chicago, and Indiana Harbor are located, by reason of the cheaper cost of production thereof than at other places; and that the principal natural and normal growth and increase of the consumption and demand of iron and steel and their products now is and will be in the Middle West and the territory tributary to the Chicago district.

The applicant submits that the normal and reasonable price for rolled steel should be measured by the cost of production, with the addition of a reasonable profit, without the addition of a large and arbitrary increase, which forms no part of the cost of production and is over and above such reasonable profit. The district and territory in which the factories of the members of the applicant association are situated is tributary to the location of the mills at or near Chicago, where rolled iron and steel are produced at the lowest cost and where and to and from which the greatest and the shortest facilities for transportation from mill to consumer are and will continue to be furnished.

The application of the principle of price fixing at cost plus a reasonable profit and of the law of supply and demand requires that the price of rolled steel in the Chicago district should be as low as and not greater than the price at any other point or in any other district in the United States. The fixing of any higher price for rolled steel produced in that district is arbitrary, artificial, unreasonable, and uneconomical, and gives to the respondent producers excessive and unreasonable profits.

It is submitted that if basing points are economically sound, then, in the interest of the trade—of consumers and producers and of the districts or sections to be served and affected—their selection

should take into view their situation with respect to cost of production, supply, and proximity to existing and growing greater demand under normal and natural conditions. In any proper consideration of the question, the applicant maintains that if a basing point or basing points are to be considered as proper and recognized, Chicago best answers all the conditions and should be a basing point.

Among the powers of the Commission is the following (under which, it is submitted, the Commission may properly inquire into all the facts, situations, and questions bearing upon the issues and questions presented by this applicant):

> To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.

In support of this application, your petitioner sets forth the following facts as constituting the violations of law complained of:

1. That said United States Steel Corporation and its subsidiary company, the Illinois Steel Co., acting under its control and direction, and said the Inland Steel Co. and the Interstate Iron & Steel Co. and the Steel & Tube Co. of America, aforesaid, upon sales in interstate commerce for use, consumption, or resale within the United States, are and since on or about the 1st day of July, 1918, have been, charging to the members of the petitioner association and to other purchasers in the States mentioned in paragraph 1 hereof, for rolled steel consisting of iron and steel plates, shapes, sheets, and bars, and other rolled-steel products of their respective mills, which are by them rolled and manufactured and delivered at or shipped from their said respective rolling mills situated at Gary, Indiana Harbor, and East Chicago, Ind.; and Chicago Heights, and Joliet, Ill., at a price which is fixed by adding to the proper price thereof as measured by the cost of production plus a fair and reasonable profit, the amount of the railroad freight charges or cost of transporting such commodities from Pittsburgh, Pa., to Chicago, or to the destination where they are to be received by the purchasers, respectively, less the freight charges from the plants of such producers to such destination, as if such commodities were in fact shipped from Pittsburgh, instead of being shipped from their respective mills at Gary, Chicago, Indiana Harbor, East Chicago, or Joliet, as the fact is.

In other words, the prices of such commodities are increased by large fictitious freight rates, which amounts to $5.40 per ton or thereabouts, and which are not incurred or paid and are not any

proper element or part of the price of such commodities, but are an arbitrary and excessive and unreasonable addition thereto.

2. That many of your complainants, members of the petitioner association, are competitors in business in interstate commerce of other fabricators in what is known as the Pittsburgh district or in the States east of Indiana, who have been during the same period and are also purchasers in interstate commerce from respondents of like commodities, and to such competitors the said respondents have been and are selling such commodities at prices substantially less than the said prices by them exacted from and paid by the members of the applicant association as aforesaid.

3. That the respondents during said period have been and are selling such commodities to such competitors at Pittsburgh and in the Pittsburgh district of the complaining members of the applicant association f. o. b. Pittsburgh and at prices less by the amounts of the ruling freight charges on like commodities from Pittsburgh to Chicago, or by substantially that sum, than the prices so made to the members of the applicant association or other fabricators or consumers located in the Chicago district, or in the territory tributary thereto, for like commodities produced at Gary, Chicago, Joliet, East Chicago, and Indiana Harbor.

4. The respective respondents engaged in interstate commerce thus, as applicant charges, discriminate in price of such commodities (which commodities are so sold for use, consumption, or resale within the United States) in favor of such competitors of the members of the applicant association who are located in the Pittsburgh district or in the territory east of the Chicago district and against the members of the applicant and other consumers of rolled-steel products located in the Chicago district or in the territory tributary thereto.

5. That the effect of such discrimination in price is to cause to and impose upon the respective members of the applicant with respect to sales or attempted sales by them of their products to customers in the Pittsburgh district, or in the territory east of said Chicago district, the great cost or sum amounting to such fictitious freight rate from Pittsburgh to Chicago, in addition to the cost of transportation of their own product from their mills to their customers in the Pittsburgh district or territory east of Indiana, and thereby practically to exclude them from such trade in competition with fabricators located in said Pittsburgh or eastern district or territory, while but for such discrimination in price they could and would successfully compete with such eastern competitors for and receive and enjoy profitable trade in such district east of such Chicago district, particularly in that portion thereof lying nearer

or as near to Chicago as to Pittsburgh from which they are now so practically excluded.

6. The further effect of such discrimination in price (while so practically excluding complainants, members of the applicant here, from such eastern market) is to enable and permit their said eastern competitors (purchasing such commodities from respondents f. o. b. Pittsburgh and at such lower price than members of the applicant can purchase, as aforesaid) to ship and deliver their products to purchasers thereof in the Chicago district at a cost or expense lower than or practically as low as the members of the applicant can or could ship and deliver their products to such purchasers, and so to compete on equal terms with the members of the applicant association for the trade in the territory of such members.

And so the applicant charges that the fact that such Chicago district fabricators of steel are obliged to pay for rolled steel purchased of the respective respondents and produced at their mills in said Chicago district in accordance with this single Pittsburgh base price, i. e., a price equal to the Pittsburgh price of the commodity plus a sum equal to the freight charge per ton from Pittsburgh to the point of destination (although, in fact, no such freight charge is actually incurred), deprives such consumers of rolled steel in the Chicago district from enjoying the advantage to which they are entitled [because] of their proximity to the real producing points at Gary, Ind., and elsewhere in the Chicago district, and arbitrarily and unjustly discriminates against such consumers in said Chicago district in so excluding them from competing for business with those fabricators who are in or tributary to the Pittsburgh district and the East, and in enabling such eastern fabricators at the same time to compete on unfairly advantageous terms in trade with the fabricators in the Chicago district as if the plants of such eastern fabricators were in the Chicago district.

7. The discrimination in price and disadvantage so suffered by the fabricators and consumers of rolled steel in the Chicago district is not a natural one and is not due to their geographical location or remoteness from adequate mills of supply. Under the play of the natural and normal forces governing supply and demand (which has already led to the development of the steel industry there), and with the removal of the artificial conditions due to such complained of discriminations, the supply in such Chicago district of rolled steel and rolled steel products will accommodate itself to and meet the demand therefor.

8. That such increase in cost of rolled steel increases the cost and selling price of everything involving its use, and not only the fabricators in the Chicago district but their customers, and all who con-

sume or use the products of steel in that section of the country, are wrongfully and prejudicially affected by this compulsory increase in price of the products they purchase caused by such artificial increase in price of rolled steel; and that such discrimination in price is against and unfair and unjust and prejudicial to such territory constituting the Chicago district and the business and trade thereof and in favor of said Pittsburgh or eastern district.

That this arbitrary increase in price amounts in the case of Chicago contracts at the present time to $5.40 per ton or thereabouts, even though the rolled steel used in fulfilling orders from the said Chicago district is produced at the mills of the respondents situated at Gary, Indiana Harbor, or East Chicago, Ind., or at Chicago, or Joliet, Ill.,—mills in the Chicago district territory that are controlled by respondents.

9. That to meet the said Pittsburgh base price the respondents, who have mills in the Chicago district, make prices and sell to purchasers in the Pittsburgh district or in territory between the east line of Indiana and Pittsburgh, who are competitors of the members of applicant, at prices of the Pittsburgh mills and themselves absorb the freight rate from their mills to the purchaser's plant, and thus discriminate in price to the amount of several dollars per ton in favor of such competitors and against applicant's members.

10. That the respective respondents do not in all cases or uniformly maintain or charge such Pittsburgh base price but have practiced and made and do make other discriminations in price in favor of certain customers in the Chicago district, viz:

They have quoted and made and do quote and make, as applicant is informed and charges, to and in favor of all or certain agricultural implement manufacturers, and to certain other consumers and purchasers in order to secure orders, prices f. o. b. Chicago or f. o. b. mill for such rolled steel, which is less by said addition of $5.40 per ton or thereabouts than the prices exacted from the members of the applicant.

They have quoted and made and do quote and make prices to railroad companies for rails, angle bars, splice bars, and tie plates f. o. b. Chicago or Pittsburgh or f. o. b. mill. They quote and sell basic pig iron at the same price f. o. b. Chicago and f. o. b. Pittsburgh.

Applicant submits that such practices, besides constituting discriminations in prices, show that such price fixing f. o. b. Pittsburgh solely, which is herein complained of, has no trade or economic reason or basis.

11. That the effect of the discriminations in price aforesaid may be and is to substantially lessen competition and tends to create a monopoly in the said line of commerce.

12. That the said respective discriminations in price between purchasers of such commodities are not on account of differences in the grade, quality, or quantity of the commodity sold and do not make only due allowance for difference in the cost of selling or transportation, nor are such discriminations made in good faith to meet competition. But they are made by agreement, or understanding amounting to agreement, between the respondents and other producers of steel in order to maintain prices of rolled steel, and particularly to maintain such increased and unreasonable prices in and throughout said Chicago district to the members of the applicant and other consumers therein.

13. The applicant charges and submits that the respective respondents above named—the United States Steel Corporation, the Illinois Steel Co., the Carnegie Steel Co., the Inland Steel Co., the Interstate Iron and Steel Co., and the Steel and Tube Company of America—in the course of their said commerce, in the acts and respects hereinabove set forth, have discriminated and are discriminating in price between different purchasers of commodities, which commodities are sold for use, consumption, or resale within the United States where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly in the line of commerce hereinbefore mentioned.

14. The applicant further charges and submits that the acts of the respondents above set forth and complained of use, cause, and bring about and constitute unfair methods of competition in commerce which are declared to be unlawful by section 5 of the said Federal Trade Commission act.

Petitioner, therefore, respectfully asks that by reason of the foregoing facts, disclosing acts and conditions set forth in this application of unlawful discriminations in price and of unfair methods of competition in commerce, this Commission investigates the matter complained of and if, upon such investigation, the Commission has reason to believe that there is a violation of law over which the Commission has jurisdiction that a complaint be issued against the respondents and such further proceedings be had as the law requires or contemplates and to the Commission shall seem meet.

Respectfully submitted.

Western Association of Rolled Steel Consumers,
By James E. MacMurray, *President.*
W. E. McCollum, *Secretary.*

Miller, Starr, Brown, Packard & Peckham,
Attorneys for Petitioner.

John S. Miller,
Of Counsel, Room 1522, 68 West Monroe Street, Chicago, Ill.

[In the matter of the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.]

BEFORE THE FEDERAL TRADE COMMISSION.

STATEMENT OF THE APPLICANT, THE WESTERN ASSOCIATION OF ROLLED STEEL CONSUMERS.

I.

We submit the application filed by this association with the Commission on August 1, 1919, and the statements therein contained, and make the same a part of this statement, as therein set forth.

II.

1. As is alleged in our application, the respective respondents, upon sales in interstate commerce of rolled steel products produced by them, respectively, to members of the petitioner association, have discriminated and are discriminating in price between different purchasers of such commodities, which commodities have been and are being sold by said respondents upon such sales, for use, consumption, or resale within the United States, and where the effect of such discrimination may be, has been, and is to substantially lessen competition in that line of commerce and where such discrimination in price was not and is not on account of differences in the grade, quality, or quantity of the commodity sold, and where such discrimination did not make only due allowance for differences in the cost of selling or transportation, and where such discrimination in price was not made in good faith to meet competition.

(*a*) That by way of such discrimination in price said United States Steel Corporation, through and by its subsidiary, the Carnegie Steel Co., and other [of] its subsidiaries producing rolled steel products in the Pittsburgh district, or in the district east of Gary, or by its selling agency or agents, has repeatedly and at divers and all times during the six months and upward last past, sold and is selling such rolled steel products produced by it, including steel plates, shapes, sheets and bars, and other products of their rolling mills, to divers purchasers of such commodities at Pittsburgh, Pa., and at divers other points between Pittsburgh and Gary, or in the territory tributary to Pittsburgh, at divers prices therefor, and at the same time and times has sold like commodities produced by it through its subsidiary, the Illinois Steel Co. at its mills at Gary, Ind.; Chicago, Ill.; Joliet, Ill.; and in Wisconsin and Michigan to divers persons and corporations at Chicago and thereabouts and in the territory tributary thereto who are members of the petitioner association, and upon such sales exacted and charged prices for

such commodities higher by a large sum, to wit, 27 cents per hundred pounds or thereabouts, all of which respective commodities were sold upon said respective sales for use, consumption, or resale within the United States; and has thereby so, as aforesaid, discriminated in price between different purchasers of commodities; and the effect of such discrimination has been and is to substantially lessen competition in that line of commerce, and that such discrimination in price did not make only due allowance for difference in cost of selling or transportation, and was not made in good faith to meet competition.

(*b*) That said other respondents, by way of such discrimination in price respectively, have repeatedly and at divers and at all times during the six months and upward last past sold and are selling their rolled steel products produced by them respectively to divers purchasers of such commodities at Pittsburgh, Pa., and at divers other points between Pittsburgh and Chicago and in the territory tributary to Pittsburgh, at divers prices therefor, and at the same time and times have sold their like commodities, produced by them respectively, at their respective mills at or near Chicago, Ill., to divers persons and corporations, at Chicago and thereabouts, and in the territory tributary thereto, who are members of the petitioner association, and upon such sale have exacted and charged and are exacting and charging prices for such commodities higher by a large sum, to wit, 27 cents per hundred pounds or thereabouts, all of which respective commodities were sold at said respective sales for use, consumption, or resale within the United States, and have respectively thereby, so, as aforesaid, discriminated in price between different purchasers of commodities; and the effect of such discrimination has been and is to substantially lessen competition in that line of commerce, and that such discrimination in price did not make only due allowance for difference in cost of selling or transportation, and was not made in good faith to meet competition.

(*c*) That said respective respondents during the period aforesaid, in their sales of their respective rolled steel products to the members of the petitioner association, have charged and are charging for such their rolled steel products produced at their respective mills at Gary, East Chicago, and Indiana Harbor, Ind.; Chicago and Joliet, Ill.; and Milwaukee, Wis., and delivered at or shipped from such respective mills to members of the petitioner association and have exacted and are exacting on sales to members of the petitioner association prices for such commodities which are in excess of the normal and proper prices measured by the cost of production with the addition of a reasonable profit, by, and by the inclusion in such price and the addition to such normal and proper price,

of the flat rate for the transportation of such commodities from Pittsburgh to the mill, shop, warehouse, or place of delivery to such purchasers, or such excessive sum or price including such freight rate, less the freight rate upon such commodities from Chicago, or the mills of such respective sellers, so that the net cost of [to] such purchasers of such commodities at their respective mills or places of delivery shall be the same as if such commodities were produced at and shipped from Pittsburgh, Pa., or from the mills of said United States Steel Corporation or its subsidiary, the Carnegie Steel Co., at Pittsburgh.

That said respective respondents have during the period aforesaid sold and are selling their rolled steel products to fabricators of steel located at points between Gary and Pittsburgh who are competitors of fabricators of steel located at Chicago, Milwaukee, Minneapolis, and other places in the Middle West and West at prices which include the freight rate on such commodities from Pittsburgh to the point or destination at which the shops, warehouses, or places of delivery of such purchasers are situated, such price including such freight rate covering the net cost to such purchasers at such place of destination, such sales being or including sales of such commodities produced by said respective respondents at and shipped from their respective mills of production at Gary, East Chicago, Indiana Harbor, Chicago, Joliet, Milwaukee, or other places in the Chicago district.

III.

That in the aforesaid conduct of its said trade and business of producing and selling rolled steel products by the United States Steel Corporation and its subsidiaries, operating rolling mills for the production thereof at Pittsburgh and at other points in the Pittsburgh district, and at Youngstown, Ohio, and at other places east of Gary, and at Gary, Chicago, Joliet, and Milwaukee, the said United States Steel Corporation and its subsidiary in such sales hereinbefore mentioned, and by reason of such discrimination in price, place the fabricators of steel in the Middle West and in the West and Northwest at a great disadvantage in their competition for the sale of their products with and against other fabricators of steel in said district east of Gary. That by reason of such discrimination in prices such fabricators of steel in the Chicago district and in the Middle West and West and Northwest in their competition for trade at points east of Gary, being, as aforesaid, compelled to pay to said respondents for their rolled steel products a price by which the cost to them of such rolled steel products at their shops or places of fabrication, are as much as if they had bought such rolled steel products at Pittsburgh and paid the freight

thereon from Pittsburgh to their own shops, and being also compelled to pay or bear the freight rate upon their own fabricated commodities to the destination or location of their purchasers, are made unable to compete with their competitor fabricators at Pittsburgh and in the East; and that the effect of such discrimination has been and is to substantially lessen competition in that line of commerce.

IV.

That such discrimination in price of rolled steel products produced by said United States Steel Corporation and its subsidiaries has been, during the period aforesaid, made and is being made between different purchasers of commodities upon sales in which such commodities are sold and purchased for resale within the United States; that many such purchasers, who are members of the petitioner association, are dealers in such commodities, and purchased the same from the respondents for resale within the United States; and that the effect of such discrimination has been and is to substantially lessen competition in that line of commerce between such dealers and purchasers who are located at Chicago and other places near or tributary thereto or in the Middle West, West, and Northwest with their competitors who are situated in the territory east of Gary.

V.

That by reason of such discrimination the Chicago fabricators and dealers in rolled steel products are put at a disadvantage as compared with the fabricators and dealers at Pittsburgh and in the Pittsburgh district in the competition for trade. For illustration, at each of the following cities of Illinois to the following amounts:

	Amounts per cwt. (cents).
Streator and Peoria	7
Bloomington, Fulton, Galesburg, and Quincy	6
Springfield, East St. Louis, Centralia	5
Cairo and Johnston City	12

As to the district east of Chicago and between Chicago and Pittsburgh: The Wisconsin Bridge & Iron Co., located at Milwaukee, Wis., 85 miles north of Chicago, and where the United States Steel Corporation has a rolling mill, is a fabricator of steel and a member of petitioner association and is a competitor of a Detroit fabricator. By reason of such discrimination the Wisconsin company, although located in such close proximity to the respondents' rolling mills, and a purchaser of steel produced at such mills, is put at a disadvantage over its Detroit competitor in business at Detroit of $5 to $6 per ton;

and this is true with reference to the competitors of the Wisconsin company in Indiana, Illinois, and elsewhere.

The Kewanee Boiler Co., located at Kewanee, Ill., by reason of such discrimination, is not only put at such a disadvantage over its competitors in the Pittsburgh district in the competition for trade at points east of Indiana as to substantially put it out of the competition, but at points in the southwest, such as Tulsa, Okla., and Dallas, Tex., the manufacturer in the Pittsburgh district, although several hundred miles more distant, can make delivery in Tulsa, Okla., or Dallas, Tex., within a cent per pound of what it costs the Kewanee company.

McCord & Co., steel founders at Chicago and a member of the petitioner association, has a Pittsburgh competitor, and both have as customers for the trade with which they are competing at various points in Pennsylvania and in the East.

By reason of which discrimination McCord & Co., although it gets its steel from the Chicago mills, is compelled to face a handicap of substantially $10.80 per ton, represented by the freight rate from Pittsburgh to Chicago which is not earned, plus the freight upon its own product from Chicago to Pittsburgh, which is earned. Such freight from Pittsburgh to Chicago which is not earned is arbitrary and forms no part of the proper price for the steel. On the other hand, the Pittsburgh competitor can compete with the McCord Co. for business in Chicago and the West without any such handicap and as if its factory or mill were at Chicago where the McCord mill is, because the Pittsburgh competitor, in competing for business at Chicago or in the Chicago district, purchases his steel at Pittsburgh without having to pay such unearned freight, and this handicap on the McCord Co. enables the Pittsburgh competitor to compete on an even keel in Chicago with McCord.

The Even L. Reed Manufacturing Co., and a member of the petitioner association, is a manufacturer of bolts and rivets at Sterling, Ill., and by reason of such discrimination is compelled to pay for their rolled steel products at Chicago such price increased, as aforesaid, by the amount of the freight rate from Pittsburgh to Chicago as if they bought their steel at Pittsburgh. A competitor bolt and rivet concern in Ohio, more than 300 miles from the Chicago district in which the Reed Co. is situated and trades, can by reason of such discrimination manufacture and deliver in the Chicago district its product at less than the Reed Co. can from its factory.

The Western Wheeled Scraper Co. and a member of the petitioner association, manufacturers in Chicago a dump car which it sells in competition with competitors in the Pittsburgh district. The steel in each car costs the Western Co. $54 more than it costs its Pitts-

burgh competitor. The Pittsburgh competitor can ship its product—its own cars—on their own wheels to Chicago at mileage rates amounting to $32.69, and can therefore deliver its product in Chicago $21.31 per car cheaper than can the Western Co., although the Western Co. buys its steel at Chicago. On the other hand, the Western Co., in order to compete in the Pittsburgh district, is put to the cost, amounting to $86.69 more than the Pittsburgh company.

^ Chicago

The respondent, Inland Steel Co.,^ quoted to H. C. Christman, of Detroit, a price for rolled steel of $2.68 per hundredweight f. o. b. Detroit, which is 260 miles from the seller's mill. At the same time they charged and exacted a price f. o. b. Chicago of $2.72 per hundredweight.

What is above alleged as specific, concrete illustrations applies mutatis mutandis to the purchases of rolled sheet products and the trade and business of all the members of the applicant association as against and in favor of their competitors in the Pittsburgh or eastern district. Like and divers other and different discriminations have been and are being made by respondents in sales to the members of applicant association.

By reason of which arbitrary increase of price by adding to the fair market price of rolled steel purchased by the members of the applicant association the freight rate from Pittsburgh, or by making their sales on the f. o. b. Pittsburgh basis of steel manufactured at Gary, Chicago, or in that district, such members are unable to sell their product manufactured from such rolled steel in competition with Pittsburgh competitors or competitors in the Pittsburgh or eastern district in the territory east of Gary, Ind., although they have had and rightfully should be permitted to have, and but for such discrimination in price could continue to have, a large and profitable trade therein. And while by such practice and discrimination in price such members of applicant association are excluded from the district east of Chicago and confined to their own district, their eastern competitors, who are so thereby given their eastern territory exclusively, are also placed upon an equal basis with such members of applicant in the competition for trade in their own Chicago or Middle West district.

VI.

Prior to the formation of the United States Steel Corporation and its absorption of the various competing producers of rolled steel, there was no practice of using Pittsburgh as a basing point on all iron and steel shipments, such as is now in existence and herein complained of by the applicant association.

To whatever extent such Pittsburgh basis or Pittsburgh as a basing point for iron and steel was followed in the trade, prior to

the formation of the United States Steel Corporation, it prevailed during the time and grew out of the fact that Pittsburgh was the principal manufacturing point for iron and steel in and near which, and in that district substantially all the rolled iron and steel was produced, which is no longer the case or fact.

PITTSBURGH BASIS NEVER ADHERED TO PRIOR TO THE FORMATION OF UNITED STATES STEEL CORPORATION.

That such Pittsburgh base was not during that time adhered to, but manufacturers of rolled steel at divers places in the Pittsburgh district or tributary thereto, such as Buffalo, Phoenixville, Bethlehem, and Wheeling, and along the Ohio River in Ohio and Kentucky and other places, never observed the Pittsburgh base, but by the absorption of the freight rate or otherwise made the price to their customers so as to put those customers on as good a basis as competitors who were near Pittsburgh or as their own proximity to the consuming trade justified.

That during such time manufacturers at Pittsburgh and in the Pittsburgh district who used the Pittsburgh base customarily, if such base were named, absorbed the freight to the purchaser's destination, or some portion thereof, as they might determine in getting the order and fixing the price.

That such practice of using the Pittsburgh base during such time did not apply to or include rolled steel manufacturers outside of such Pittsburgh district, or not near or tributary thereto. For instance, the rolled steel produced at Birmingham, Ala., was sold f. o. b. Birmingham; the rolled steel produced by the Colorado Fuel & Iron Co. was sold f. o. b. Pueblo, Colo., where its plants were; producers of rolled steel in or about Chicago and the Middle West sold to consumers at Chicago and in that district f. o. b. Chicago, or the purchaser's destination.

Manufacturers of rolled steel in the Pittsburgh district—for instance, Jones & Laughlin, who are large producers of structural steel and steel used by fabricators—customarily sold their rolled-steel products to customers in or about Chicago, or in that district, f. o. b. Chicago, and themselves absorbed the freight rate from Pittsburgh or their mills to Chicago.

VII.

As illustrations of the allegations of VI of this statement, the applicant association shows that the Jones & Laughlin Steel Co. in the fall of 1898 sold rolled steel products consisting of angles and bars to the Kenwood Bridge Co., located at Grand Crossing, in the

city of Chicago, at a net price less the freight of 15 cents per 100 pounds, which was absorbed by the seller.

The Cleveland Rolling Mill Co., of Cleveland, Ohio, in the fall of 1898, sold products of their rolling mill, consisting of angles, to the Kenwood Bridge Co., aforesaid, at a net price delivered Chicago, the seller absorbing and paying the freight of 12 cents per 100 pounds.

In the years 1897–98, the Struthers Iron & Steel Co., of Struthers, Ohio, sold to the Sykes Co., a fabricator in Chicago, its rolled steel product at net prices, the seller absorbing and paying the actual freight (or in some cases an amount as freight larger than the actual freight, amounting to a further reduction in the net price).

The New Philadelphia Iron & Steel Co., of New Philadelphia, Ohio, in 1898 sold its rolled steel products to the Sykes Co. aforesaid at net prices, the seller absorbing and paying the entire freight (or in some cases absorbing and paying a part of the freight).

In 1898–99 the Cambridge Iron & Steel Co., of Cambridge, Ohio, sold to the Sykes Co. aforesaid, its rolled steel products at mill price, less freight to Chicago, or less a large part of such freight.

From about November 2, 1898, to August 7, 1899, the Corning Steel Co., of Hammond, near Chicago, sold its product to the Sykes Co., f. o. b. Chicago, there being 57 such sales. After August 7, 1899, during that year it sold f. o. b. mill, there being 39 orders or thereabouts.

In 1898 the Atlanta Steel & Tin Plate Co., of Atlanta, Ind., sold its rolled steel products to the Sykes Co., at mill price, less freight to Chicago.

In 1898 the Union Steel Co., of St. Louis, Mo., sold to the Sykes Co. one order f. o. b. mill, and other orders at mill prices less freight to Chicago, the seller absorbing the freight.

In November and December, 1902, the Youngstown Iron Sheet & Tube Co., of Youngstown, Ohio, sold to Sykes Co. its rolled steel products at mill price, less freight to Chicago. In October and December, 1903, it sold the Sykes Co. f. o. b. Youngstown.

The American Sheet Steel Co. (which became a subsidiary of the United States Steel Corporation after it absorbed the plant of the Corning Co., at Hammond, Ind.) sold to the Sykes Co. in August, 1900, f. o. b. Hammond; and later they sold to the Sykes Co. such products from its Vandergrift-Apollo plant at Vandergrift, Pa., and from its Aetna-Standard plant, at mill price, less freight, Pittsburgh to Chicago; and, in the latter part of that year, sold from its plants at Canton and Cambridge, Ohio, Muncie, Ind., and Vandergrift, Pa., at prices including the freight from Pittsburgh to Chicago, less the freight from mill to Chicago.

In other sales said Sheet Steel Co. sold the same customer from mills in Ohio at a price which included the freight from Pittsburgh to Chicago diminished by the freight from the mill to Chicago.

In a sale from its mill at Scottdale, Ohio, the price was f. o. b. mill. In shipments from its mill at Canonsburg, Pa., it sold at prices including the freight to Chicago. In 1901 said Sheet Steel Co. sold said Sykes Co. from its Cambridge plant at a price, less freight to Chicago, of 15 cents per 100 pounds. In divers cases from its plant at Cambridge and other plants, it sold said Sykes Co., including in the price the freight from Pittsburgh to Chicago, where the actual freight on the shipment from place of shipment was materially less than the freight from Pittsburgh.

Other sales were made by said American Sheet Steel to said Sykes Co. on like or other diverse and different bases during said year 1901 and until early in the year 1902.

That the supposed Pittsburgh base had no basis or reason for its existence in the trade, nor stability or uniformity in its application, except to and among the producers of iron and steel in and about Pittsburgh and to the trade and business of the mills there, which were all located in substantially the same or like proximity to or distance from consumers, and when the freight rate from mill to consumer was substantially or approximately the same. That the adoption and application of such basis could only be successful when put into effect by agreement of the different producers, which would be or result in the lessening of competition among such producers and which is in restraint of trade. That such an arrangement and practice by agreement or concert of the producers, and its consequent restraint of trade, could be reasonable and lawful, if at all, only where the competing trade is in a single place or district, and does not include producers widely separated, as are producers at Pittsburgh, and in the East, and Chicago and the Middle West, and where the districts of large consumption and demand are also widely separated, and one of such districts is near or tributary to the rolling mills and supply of one set of producers, and another district of consumption and demand is in proximity or tributary to another and different place of production, as is the case with the Pittsburgh district and the Chicago and Middle West district.

Even prior to the formation of the United States Steel, and of the other large combinations which were theretofore formed and absorbed by it, and while Pittsburgh and the Pittsburgh district contained by far the principal production of rolled-steel products, and production outside of that district was very small by comparison, the Pittsburgh base was not adhered to, at least by mills as far from Pittsburgh as Buffalo, and could not be adhered to under strictly competitive conditions or without some agreement or concert. In

fact, it was not adhered to with whatever agreement or concert there was or was attempted.

Much less at the present time, when there has grown up the very large production of rolled steel and iron in Chicago and the Chicago district, at as low or lower cost than in the Pittsburgh district, and there is also a large and rapidly growing demand and consumption which is contiguous or near or tributary to said middle western rolling mills, can such Pittsburgh base be adhered to under competitive conditions or without the strong arm of combination.

VIII.

PRODUCTION AND CONSUMPTION IN THE CHICAGO DISTRICT AND IN THE MIDDLE WEST AND WEST.

As stated in our application, the United States Steel in 1906 and since has constructed its immense plant at Gary, and its Illinois steel plant at Chicago has been very much enlarged, and the other large plants of the Inland Steel Co., the Interstate Iron & Steel Co., and the Steel & Tube Co. of America have been constructed. These plants were constructed at and near Chicago because of the need and demand for them for the then great and growing consumption of the Middle West and western territory. They were built with the view of supplying that great and growing demand. There, in the Middle West, in which these plants were established, was a great market which is growing rapidly with the growth of the Middle West and West and much more rapidly that the eastern territory. These mills in the Chicago district are advantageously situated for producing rolled steel at a minimum cost. All this was expressed by Judge Gary, chairman of the United States Steel Corporation, in a speech before the chamber of commerce of the city of Duluth in June, 1918, in which he said:

> Why did the Steel Corporation build a plant on a sandy desert along the southern shores of Lake Michigan? Because of a love for Indiana? Oh, no; none of us have any particular interest in that State. It was purely a business proposition. We would much rather have spent the money expended in Gary right here in Duluth. Our friends are here. But the proposition would have been a failure from a business point of view. There fuel was easily obtainable, as were other things which are necessary to the making of steel. There was a market. For the manufacture of pig iron Duluth is well situated, perhaps nearly as well as almost any other city. But Birmingham can manufacture pig iron $3.05 more cheaply per ton than can Duluth. As to steel products, Duluth is behind Gary by 38 per cent, Pittsburgh by 13 per cent.

Steel costing $100 per unit to produce in Gary would cost $122.10 in Pittsburgh.

Chicago and the Chicago district are favorably situated with respect to transportation of material to the mills and of the product of

the mills to the consumers. The entire situation and all the circumstances favor the purchase and consumption of steel products and everything in which steel is used at the lowest cost. It is obvious, we submit, that the fabricators of steel in the Middle West and West tributary to Chicago, and their customers and the consuming public of everything into which the products of steel enter as a component, are entitled to the advantage their situation gives them, which is the benefit of a price as low as if they lived at Pittsburgh, or in the Pittsburgh district, or as near to Pittsburgh as they are to Chicago.

Of course, the applicant association will have the opportunity of making any further reply to whatever showing or statement may be made in opposition to their application.

Respectfully submitted.

THE WESTERN ASSOCIATION OF ROLLED STEEL CONSUMERS,
By MILLER, STARR, BROWN, PACKARD & PACKARD,
Their Attorneys,
Room 1522 First National Bank Building, Chicago, Ill.

TO JOHN S. MILLER, *of Counsel.*

APPLICATION OF THE SUPERIOR COMMERCIAL CLUB.

[Petition for issuance of complaint.]

TO THE FEDERAL TRADE COMMISSION.

The petition of the above-named applicant respectfully shows:

1. That the above-named applicant, The Superior Commercial Club, is a corporation organized and existing under and by virtue of the laws of the State of Wisconsin for the purposes, among others, of fostering just and equitable principles of trade, correcting abuses, and promoting commercial and manufacturing interests in the city of Superior, Wis.

2. That this application is made in behalf of the commercial, trade, and financial interests of the citizens of the city of Superior, Wis., the citizens of every other city and community of the United States similarly situated with respect to the trade practice hereinafter referred to, and the interest of manufacturers, steel fabricators, and others in such cities whose rights to free and unrestricted competition under a natural and normal economic order are invaded by such trade practice.

3. That the United States Steel Corporation, a corporation organized and existing under and by virtue of the laws of the State of New Jersey, together with a large number of steel-manufacturing companies whose names are unknown to this applicant, have engaged in unlawful practices in a manner whereof the Federal Trade Commission has jurisdiction, to wit, have engaged in and practiced unfair methods of competition in commerce contrary to section 5 of the "trade law," being an act of Congress entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914 (38 U. S. Stat. at L., ch. 311, p. 717), in the particulars hereinafter enumerated.

4. That for a number of years last past the United States Steel Corporation, either by the exercise by it of a monopolistic control of the steel industry or by united action and agreement with the unknown steel-manufacturing companies above referred to, commonly designated as independent steel companies, has fixed and controlled the market price of steel throughout the States and Territories of the United States of America; that such price has been fixed, during the period above referred to, upon what is known and commonly designated as "the Pittsburgh base"; that the purchasers of steel throughout the States and Territories of the United States are, by

reason of the fact above set forth, obliged to pay for steel purchased by them the market price at Pittsburgh, Pa., plus the current freight charge from Pittsburgh to the point of delivery, irrespective of the actual shipping point of the goods purchased; for example, a purchaser of steel at Superior, Wis., is obliged to pay for steel shipped and delivered from Chicago, Ill., or Gary [Ind.], in Duluth, Minn., the market price at Pittsburgh plus the current freight rate from Pittsburgh to Superior, notwithstanding the fact that the steel so purchased by him is in fact shipped from Chicago, Ill., or Gary [Ind.], in Duluth, Minn., and the actual cost of shipment from the points last named is considerably less than the cost of shipment or freight charged from Pittsburgh.

5. That by reason and because of the fixing of the price as above indicated it is impossible for the purchaser of steel at any point in the United States to purchase steel from any steel mill or producer upon any other basis than that above set forth, and the element of price competition is absolutely excluded from the steel trade.

6. That competition on the basis of natural and normal economic principles and conditions is the policy of the law throughout the United States of America, enacted into the Federal Statutes and supported by the decisions of the courts, but that the fixing of the steel price upon the Pittsburgh plus base hereinabove set forth by the United States Steel Corporation directly, or by the United States Steel Corporation in conjunction with the Independent Steel Companies above referred to, and the effectiveness and unfairness thereof as a general and inexorable trade practice and condition, results in an arbitrary, unnatural, and abnormal economic condition, making it impossible for manufacturing companies and steel fabricators throughout the United States and outside of the Pittsburgh base district to compete with the United States Steel Corporation, or with said Independent Steel Companies in lines of manufacturing in which the said United States Steel Corporation and the said Independent Steel Companies are likewise engaged; that the establishment and enforcement of the said Pittsburgh plus steel price as the market price of steel prevents and prohibits competition between individuals or individual companies engaged in manufacturing and steel fabricating and prevents the establishment and development of new manufacturers and new steel fabricating plants upon normal and natural economic lines to the incalcuable damage and detriment of persons engaged in manufacturing and steel fabricating and the general public and abnormally increases the price of steel and steel products.

7. That the establishment of the Pittsburgh plus basic price of steel hereinabove set forth, by reason of the facts above set forth, constitutes an unfair method of competition in commerce, creates an

arbitrary, unnatural, and abnormal economic condition destructive of the competitive system in commerce, and operates to prejudice not only the rights of those personally engaged in manufacturing and steel fabricating, but likewise the interests of the general public.

That the above-named applicant further shows:

1. That the United States Steel Corporation, a corporation organized and existing under and by virtue of the laws of the State of New Jersey, together with a large number of steel manufacturing companies whose names are unknown to this applicant, have engaged in unlawful practices in a manner whereof the Federal Trade Commission has jurisdiction, to wit:

2. Have directly and indirectly discriminated and still continue to directly and indirectly discriminate in price between different purchasers of commodities, which commodities have been sold and are being sold for use, consumption, or resale within the United States and the Territories thereof, the effect of which discrimination has been and is to substantially lessen competition and tend to create a monopoly in a line of commerce; that such discrimination in price was not and is not made on account of differences in the grade, quality, or quantity of the commodity sold, or to make only due allowance in the cost of selling or transportation, nor in good faith to meet competition, nor for the purpose of selecting customers in bona fide transactions; and that such price discrimination was and is contrary to the provisions of section 2 of the Clayton law, being an act of Congress entitled "An act to supplement existing laws against unlawful monopolies, and for other purposes," approved October 15, 1914 (38 U. S. Stat. at L., chap. 323, p. 730).

3. That for a number of years last past the United States Steel Corporation, either by the exercise by it of a monopolistic control of the steel industry or by united action and agreement with the unknown steel manufacturing companies above referred to, commonly designated as Independent Steel Companies, has fixed and controlled the market price of steel throughout the States and Territories of the United States of America; that such price has been fixed, during the period above referred to, upon what is known and commonly designated as "The Pittsburgh Base"; that the purchasers of steel throughout the States and Territories of the United States are by reason and because of the fact above set forth obliged to pay for steel purchased by them the market price at Pittsburgh, Pa., plus the current freight charge from Pittsburgh to the point of delivery, irrespective of the actual shipping point of the goods purchased; for example, a purchaser of steel at Superior, Wis., is obliged to pay for steel shipped and delivered from Chicago, Ill., or Gary [Ind.], in Duluth, Minn., the market price at Pittsburgh plus the current freight rate from

Pittsburgh to Superior, notwithstanding the fact that the steel so purchased by him is in fact shipped from Chicago, Ill., or Gary [Ind.], in Duluth, Minn., and the actual cost of shipment from the points last named is considerably less than the cost of shipment or freight charged from Pittsburgh.

4. That the basic price above referred to constitutes and results in a discrimination in the price of steel between different purchasers not within any of the exceptions of the act above referred to, and is a price based upon arbitrary, unnatural, and abnormal conditions, and that the purchaser receives no value whatever for the arbitrary and excess "freight rate" paid by him; for example, a purchaser of steel at Chicago receives a shipment of goods from mills in the Chicago district upon which he is obliged to pay and does pay, in addition to the market price, the freight rate from Pittsburgh to Chicago, which prevents him from competing with a purchaser engaged in a like trade at Pittsburgh who may buy from a Pittsburgh mill without the freight rate added, and this notwithstanding the fact that no freight is actually paid upon the commodity; that this results in a discrimination in price as between the Pittsburgh purchaser and the Chicago purchaser; that the same condition exists in all cities and communities outside of the Pittsburgh district; and that all purchasers of steel outside of such district are discriminated against to the extent of the relation of the freight rate from the nearest point of shipment to the point of delivery to the arbitrary freight rate from Pittsburgh which he is obliged to pay.

5. That the effect of the discrimination in price hereinabove set forth is to substantially lessen competition between manufacturers and steel fabricators generally; that it arbitrarily, unnaturally, and abnormally prevents manufacturers and steel fabricators located near steel mills and factories outside of the Pittsburgh district from competing with manufacturers and steel fabricators no more favorably located with respect to the source of supply physically but within the so-called Pittsburgh district.

6. That the price discrimination hereinabove described tends to create a monopoly in the manufacture of steel in that the discrimination in price operates in favor of manufacturing plants and steel-fabricating industries owned or controlled by the United States Steel Corporation, or by other manufacturers and steel fabricators united with or controlled by it, and excludes the competition of private individuals or corporations located in various places throughout the United States and obliged to pay the excess freight charged, as a cost of their production, for which no value is given or received.

7. That the price discrimination hereinabove set forth not only directly discriminates against manufacturers and steel fabricators, as

above referred to, and tends to create a monopoly in the manufacture of steel, but also materially increases the price of steel products to the public and prevents manufacturing and steel fabricating along normal and natural lines to the detriment of the public at large and to the detriment of cities and communities otherwise favorably located for the development of manufacturing and fabricating plants.

Wherefore, the petitioner prays that the defendant, United States Steel Corporation, together with such Independent Steel Companies as your Commission may upon investigation be able to identify as parties to the above offenses, may be served with a complaint or complaints and may be required to answer the charges herein, and that after due hearing and investigation an order may be made commanding the defendants to cease and desist from said violations of the laws within the jurisdiction of this Commission, and for such other and further order as the Commission may deem necessary in the premises.

PICKERING & RIESER,
Attorneys for The Superior Commercial Club.

R. I. TIPTON,
Corporation Counsel, of the City of Superior, Wis., of Counsel.

AUGUST 22, 1919.

In the matter of the application of the Superior Commercial Club to the Federal Trade Commission for action abolishing the practice known as "Pittsburgh plus," and the establishment of an f. o. b. mill price for steel, the following suggestions are respectfully submitted:

The present practice of the United States Steel Co. and of other corporations engaged in the manufacture of steel is as follows:

The price of the steel is fixed at Pittsburgh and the Pittsburgh price is charged the purchaser of the steel, no matter where he is located, plus the cost of transporting the steel from Pittsburgh to the point where the steel is to be used. This additional charge is made not only when the steel is actually shipped from Pittsburgh, but also when the steel is not shipped from Pittsburgh. If the steel were all shipped from Pittsburgh, there would be no objection to the practice, but when the steel is not shipped from Pittsburgh the additional charge for transportation is a mere arbitrary and artificial increase of price, which clearly constitutes an unreasonable practice in restraint of trade. This opinion is confirmed by the United States Government, which has refused in certain cases to sanction the additional charge in the case of its own purchases. For example, when steel is manufactured in Duluth it is clearly unfair to burden the

purchaser with the transportation charge from Pittsburgh to Duluth or Superior, which at the present time happens to be $9.90 a ton. This $9.90 a ton is justifiable as an actual charge for service rendered when the service is rendered. The service in this case is the transportation of the steel from Pittsburgh to the point of destination. When no such service is rendered, as in the case of steel actually manufactured at Duluth, and not transported from Pittsburgh to Superior or Duluth, the adding of the charge for the fictitious service is clearly unjust and unreasonable and is in direct violation of the statutes of the United States.

This practice is an unjust discrimination against the communities located in the Lake Superior district. The Lake Superior district has the richest and best fields of iron ore in the world. It has unrivaled transportation facilities, both by water and by rail. Naturally there should develop in this district marvelous industrial activity, especially in the fabrication of steel and iron products, but fabricating plants are not being located. When we inquire the reason, we find it to be the unjust practice involved in making the Pittsburgh district the sole basing point for steel prices. If this were done away with, it is believed that a fair share of fabricators would avail themselves of the various advantages offered at the head of Lake Superior and would locate here. Now, it is not the thought of the Superior Commercial Club that the United States Government should extend it any special aid or artificial assistance in the development of the city of Superior and the surrounding district. The people of Superior are willing to stand on their own feet and take their own chances. All they ask of the United States Government is that the present artificial handicap to which the head of the lakes is at the present time illegally subjected shall be removed.

In answer to this argument, Judge Gary, the chairman of the board of directors of the United States Steel Corporation, takes the position that the abolition of the Pittsburgh base is not feasible. He further contends that the establishment of a mill base is out of the question. To be more specific, in discussing the question of the establishment of a base for the plant located in Duluth, Minn., which is the feature of the whole case that is of vital interest to the Superior Commercial Club, Judge Gary intimated in his speech made in Duluth in the summer of 1918 that it costs 13 per cent more to manufacture steel in Duluth than in Pittsburgh. This, he intimated, made it impossible to establish a base at Duluth. The inference was that the Steel Corporation could not manufacture steel profitably in Duluth with a Duluth base. However, no proof of this was offered. The Superior Commercial Club certainly does not admit that it costs 13 per cent more to manufacture steel in Duluth than it does to manu-

facture it in Pittsburgh, but, for the sake of argument, we may temporarily assume that it does. In that case it seems clear to us that the logical thing to do would be to charge for the steel manufactured at Duluth such a price as would cover the cost of manufacturing, plus a reasonable, and indeed a liberal, profit. Then if the steel were shipped away from Duluth the actual cost of transporting it should be added. But we can never admit that such transportation cost should be added when no service of transportation is actually rendered.

Now, suppose we accept Judge Gary's own intimation in regard to cost of manufacture, what do we find? We find that in normal times the cost of manufacturing rolled steel does not exceed $20 a ton. Now, 13 per cent of $20 is $2.60. Thus it would seem fair, according to Judge Gary's own argument, that the people of the Duluth district should pay $2.60 a ton more for their steel than the people of the Pittsburgh district. But we find, as a matter of fact, that the steel corporation is charging the people of the Duluth district $9.90 a ton more than it is charging the people of the Pittsburgh district. According to Judge Gary's own argument, therefore, the people of the Duluth district are being overcharged to the extent of $6.30 a ton at the present time.

But let us analyze Judge Gary's argument further. He says the cost of manufacturing steel in Duluth is 13 per cent greater than in Pittsburgh, 38 per cent greater than in Gary, Ind., and 39 per cent greater than in Birmingham, Ala. He further states that a Duluth base can not be established because the cost of manufacturing in Duluth is 13 per cent greater than in Pittsburgh. It will readily be seen that the judge proves too much, and that his argument defeats itself. According to his own statement, the cost of manufacturing in Pittsburgh is about 25 per cent greater than in Birmingham or Gary. Now, if a difference of 25 per cent does not interfere with the establishment of a Pittsburgh base, how can a difference of 13 per cent between Pittsburgh and Duluth, which is only half as great as the difference between Birmingham and Pittsburgh, prevent the establishment of a Duluth base?

But while the people who listened to Judge Gary in Duluth understood him to say that the cost of manufacturing in Duluth is 13 per cent greater than in Pittsburgh, the printed pamphlet which he later issued containing his Duluth address indicates that his Duluth hearers did not exactly understand his statement in regard to the relative cost of manufacture in Pittsburgh and Duluth. The printed report of the speech issued by the judge himself states that the Duluth plant is more up to date and better equipped than the Pittsburgh plants, and therefore more efficient than the Pittsburgh plants. In fact, in the Duluth address Judge Gary stated that the Duluth location was not only the most beautiful but also the most practical

site for a steel plant of any in the world. Then Judge Gary stated that it would cost 13 per cent more to manufacture in Duluth than in Pittsburgh with plants of equal efficiency. What the actual difference in cost of manufacturing may be between Duluth and Pittsburgh, the printed report of Judge Gary's address leaves us to conjecture, and it is the opinion of the Superior Commercial Club that the cost of manufacturing steel in Duluth should be less than it is in Pittsburgh. The reasons for this opinion may be stated briefly as follows:

To manufacture a ton of the ordinary rolled steel required 2 tons of 50 per cent iron ore and 1¼ tons of coal. In ordinary times the cost of transporting the iron ore from Duluth or Superior to the Lake Erie ports is approximately 60 cents a ton. On the other hand, the cost of transporting a ton of coal from the Lake Erie ports to Duluth is in ordinary times approximately 30 cents a ton. It must be borne in mind that the ore for the Pittsburgh mills has to be transported from Duluth or Superior to the Lake Erie ports, while the coal used in smelting at Duluth has to be transported from the Lake Erie ports to Duluth. It will thus be seen that the Pittsburgh steel involves the transportation cost for the ore of $1.27. At the same time Duluth steel involves a transportation cost for the coal of not over 40 cents. Roughly, we find a saving here in favor of Duluth steel of 80 cents on every ton of steel manufactured. The other item of importance used in the manufacture of steel is limestone, and we are reliably informed that the cost of transporting the limestone to Duluth is no greater than is the cost of transporting it to the Pittsburgh district. Thus far we find that the conditions favor Duluth. Another important element in the cost of manufacture is labor. It is stated by Mr. R. T. Kirkham, of Superior, that climatic conditions at the head of Lake Superior are such that labor employed in steel plants is, on the average, at least 10 per cent more efficient than it is in the Pittsburgh district. We know, furthermore, gentlemen employed by the United Steel Corporation have stated that living conditions in Duluth and Superior are such that labor employed at the Duluth plant is more contented than is the corresponding labor employed in the Pittsburgh district. This leaves as the only other item for us to consider the relative efficiency of the Duluth and Pittsburgh plants, and upon this we have the testimony of Judge Gary himself, who has stated publicly that the Duluth plant is more modern and more efficient than the Pittsburgh plants.

Under all these circumstances we can see no logical justification for the continued maintenance of the exclusive Pittsburgh base. This base operates to the artificial advantage of steel fabricators in the Pittsburgh district and to the tremendous disadvantage of their competitors in the Duluth and Superior district. Upon this point the

steel industry committee of the Superior Commercial Club has made some inquiry. We asked one local fabricator to explain to us how in the world he could compete with Pittsburgh fabricators on large contracts. His reply was that such competition is utterly impossible and that his concern is practically prohibited from entering many important fields as a result of this artificial, unjust, and illegal discrimination. He said that he had no doubt but that his plant would be able to do three times as much business as at present if the discrimination were abolished.

It is natural that the various geographical subdivisions of the country should desire industrial growth and development. Each district has its own natural possibilities. For the Duluth-Superior district, with the magnificent fields of iron ore at its very door, the steel and iron industry is one of the most natural fields for expansion and development. From time to time fabricators have looked over this field and have expressed enthusiasm with regard to the possibilities nature has provided. These include a magnificent body of raw material, splendid facilities for both water and land transportation, and a climate ideal for manufacturing and industrial purposes. But almost invariably these fabricators have refused to locate at the head of Lake Superior because of the unjust discrimination involved in Pittsburgh plus.

It may be stated by some that there is a greater market for steel products in the East than in the West, and we may admit the truth of this assertion, but this does not eliminate the fact that there is, nevertheless, a large and constantly growing western market for steel products. It is economically sound that this western market should be supplied by western fabricators. Indeed, when this might as well be done it is wasteful of the Nation's wealth and energy to have those steel products which are to be used in the West manufactured in the East and transported to the West.

We have considered this question of steel prices for many years. We have tried to look at the matter fairly and to view it from all angles. We have tried to find some just and valid reason for the maintenance of the exclusive Pittsburgh base, but have been unable to do so. We can not imagine why the United [States] Steel [Corporation] and its allied interests have been so interested in maintaining this discrimination through all these years in the face of loud and repeated protests.

It operates to the unfair advantage of the fabricators in the Pittsburgh district and we have been finally led to inquire in our own minds, "What is the relation of the United [States] Steel Corporation and other proprietors of steel plants, who are instrumental in maintaining the Pittsburgh base, to these eastern fabricators?" We desire that the Federal Trade Commission should make investiga-

tions with the view of determining just what fabricating concerns in the Pittsburgh district are owned or partially owned by the United [States] Steel Corporation or by corporations owning other steel plants, or by officials and directors of the United [States] Steel Corporation or the owners of other steel plants. We make no charges in this connection, but we desire to know whether these gentlemen are directly or pecuniarily interested in maintaining this unreasonable discrimination in favor of possible rival fabricators in other parts of the country.

Respectfully submitted by the Superior Commercial Club.

A. D. Gillett,
Chairman Steel Industry Committee.

Pickering & Rieser,
Superior, Wis., Attorneys.

139378—19——3

APPLICATION OF THE STATE OF MINNESOTA.

[In the matter of the Pittsburgh basing point controversy.]

To the FEDERAL TRADE COMMISSION,
Washington, D. C.:

Comes now the State of Minnesota, appearing by J. A. A. Burnquist, its governor, and Clifford L. Hilton, its attorney general, and formally intervenes in that certain proceeding commonly known as the "Pittsburgh basing point controversy," instituted by the Western Association of Rolled Steel Consumers, reference being had to the proceeding entitled as "The application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation, and its subsidiary companies, hereinafter named; and the Inland Steel Co. and the Interstate Iron & Steel Co. and the Steel Tube Co. of America," and signed for such association by James E. MacMurray, its president, and W. E. McCollum, its secretary, and by Miller, Starr, Brown, Packard & Peckham, attorneys for petitioner, and John S. Miller, of counsel, and which proceeding is also referred to in a communication dated August 19, 1919, signed by Victor Murdock, acting chairman, and addressed to Charles P. Craig, Esq., chairman Joint Committee of Civic Organizations, Duluth, Minn.

The State of Minnesota, among other things, respectfully claims and represents that its basis for complaint against the United States Steel Corporation and its subsidiaries, referred to in said application, is on the grounds of unlawful restraint of trade and of price discrimination, contrary to the provisions of the antitrust acts, and in particular of section 2 of what is known as the Clayton Act of October 15, 1914, and of unfair competition in trade, contrary to the provisions of section 5 of the Federal Trade Commission act of September 26, 1914.

Further in this behalf, it is stated by the State of Minnesota that within the borders of the State of Minnesota nature deposited the greatest known body of richest and easiest-mined iron ore in the world; that these ore deposits are located in close proximity to Lake Superior, which affords through the Great Lakes the lowest-known transportation costs for assembling of the additional raw material necessary to the production of iron and steel; that the United States Steel Corporation now has in operation at Duluth, Minn., on Lake

Superior and near to said iron ore bodies, a large plant for the production of steel and a great variety of rolling mill products, but that no benefits in price accrue to the people of Minnesota by reason of the foregoing conditions; that through agreement between the parties complained of herein the consumers in Minnesota must pay the fictitious and arbitrary price charged for steel products at Pittsburgh plus the freight from Pittsburgh to Minnesota, now $9.90 per ton, and Minnesota consumers must pay the price even though the steel has been rolled at the corporation's mills in Minnesota from ores mined near by and when no transportation services have been rendered or freight charges earned or paid.

Further claiming, the State of Minnesota asserts that there should be a basing point established at the mills in Minnesota as well as at Chicago, Ill., and probably elsewhere, in addition to the present basing point at Pittsburgh, Pa., and that the base price so to be established at the mills in Minnesota be on a parity with that of Pittsburgh and no less favorable to the consumers in Minnesota.

The State of Minnesota respectfully urges that your honorable Commission institute a proceeding in respect to the violation of the laws hereinbefore referred to, over which the Commission has jurisdiction, to the end that the people of the State of Minnesota may receive substantial justice and enjoy the fullest benefits economically possible of her natural resources and favorable situation, and that said State of Minnesota be advised as to all proceedings taken thereunder and that it be permitted upon due notice to introduce evidence, file briefs, make oral arguments, or otherwise participate in the hearings that may be had by said Trade Commission as it may be advised, holding itself in readiness, if the Commission so desires, to file a fuller and more complete complaint with statements in detail as to the facts upon which complaint in intervention is desired.

Respectfully submitted.

State of Minnesota,
By J. A. A. Burnquist,
Governor.
By Clifford L. Hilton,
Attorney General.

St. Paul, Minn., *August 25, 1919.*

APPLICATION OF JOINT COMMITTEE OF CIVIC ORGANIZATIONS OF DULUTH.

[In the matter of the Pittsburgh basing point controversy.]

To the FEDERAL TRADE COMMISSION,
Washington, D. C.:

Comes now the Joint Committee of Civic Organizations of the City of Duluth, composed of duly accredited representatives from the following civic bodies of the City of Duluth, the Commercial Club, Rotary Club, Kiwanis Club, Duluth Board of Realtors, Retail Merchants Association, Builders Exchange, West Duluth Commercial Club, West End Commercial Club, and New Duluth-Gary Commercial Club, by Charles P. Craig, its chairman, and formally intervenes in that certain proceedings known as "the application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation, and its subsidiary companies, hereinafter named; and the Inland Steel Co. and the Interstate Iron & Steel Co. and the Steel Tube Co. of America," and signed for such association by James E. MacMurray, its president, and W. E. McCollum, its secretary, and by Miller, Starr, Brown, Packard & Peckham, attorneys for petitioner, and John S. Miller, of counsel.

The Joint Committee of Civic Organizations of Duluth among other things claims and represents that as and for its basis for complaint against the United States Steel Corporation and its subsidiaries, etc., referred to in said application it relies upon all of the facts and grounds set up by the State of Minnesota appearing by J. A. A. Burnquist, its governor, and Clifford L. Hilton, its attorney general, in its petition dated August 25, 1919, for permission to intervene in this action.

Further claiming, the Joint Committee of Civic Organizations of the City of Duluth states that the United States Steel Corporation has in Duluth a plant for the production of steel the construction of which is of the very best modern type for economical production and is capable of producing at the lowest possible cost, taking advantage of the latest devices and improvements for that purpose and making use of all by-product processes. This plant is located on Lake Superior in close proximity to the iron ore supply, and yet by reason of artificial, unfair, and arbitrary price-fixing methods employed by the combination of steel interests named herein this community is deprived of the right of erecting and operating subsidiary mills for the fabrication and sale of secondary iron and steel products in

competition with Pittsburgh, which is highly and wrongfully preferred in price schedules by said combination of steel manufacturers, all of which denies to this community and the State of Minnesota the right to develop the iron industry within its borders and enjoy the fullest economic advantages from its natural resources; denies to the producers on the farms of the State the right to enjoy the broader nearby and logically higher market price for his products which would result from the largely increased population incident to the full development of the iron industry and large saving of freight charges, middle men, and losses in transit.

Further claiming, this committee asserts that there should be a base price established f. o. b. the mills of the United States Steel Corporation in Duluth and that such base price so to be established at such mills be on a parity with that of Pittsburgh and no less favorably to the consumers in Duluth and Minnesota.

The Joint Committee of Civic Organizations of Duluth respectfully urges that your honorable commission institute a proceeding in respect to the violation of the laws to which reference is herein made, to the end that the people of Duluth and the State of Minnesota may receive justice and enjoy the fullest benefits economically possible of their natural resources and favorable situation, and that this committee be advised as to all proceedings taken thereunder, and that it be permitted upon due notice to introduce evidence, file briefs, make oral arguments, or otherwise participate in the hearings that may be had by said Trade Commission as it may be advised, holding itself in readiness, if the commission so desires, to file a fuller and more complete complaint with statements in detail as to the facts upon which complaint in intervention is desired.

Respectfully submitted.

JOINT COMMITTEE OF CIVIC ORGANIZATIONS,
By CHAS. P. CRAIG, *Chairman.*

DULUTH, MINN., *August 30, 1919.*

SO THE PEOPLE MAY KNOW.—A PRIMER ON THE STEEL BASE PRICE.—JOINT COMMITTEE OF CIVIC ORGANIZATION.

Duluth stands for being made a basing point for steel billets and all primary rolling-mill products, and that such basis shall be no less favorable than Pittsburgh, both in respect to price and the scope of its application.

THE CASE STATED.

Duluth stands for being made a basing point for steel billets and all primary rolling-mill products and that such basis shall not be above Pittsburgh.

Duluth is not asking for any special addition to the present plant, nor any specific new plant or plants, nor that a base price be made only on such products as may be turned out by the plant now located here.

Duluth is asking for a universal base no less favorable than Pittsburgh both in respect to price and the scope of its application.

Duluth is asking for the recognition and application of a principle of economic justice and not for the construction of any concrete plant, plants, or additions, much as we would appreciate recognition in that way.

Undeniably there exists bitter disappointment at the failure of the corporation or independents (so called) to grant this community any of the unprecedented number of additions to and many great new plants which have been either built or are under construction at the present time.

THE MEANING OF "PITTSBURGH PLUS."

If you are a consumer of steel in Minnesota, and you have occasion to buy the products of the Minnesota Steel Co.'s plant at Steelton, you must pay the same price as a consumer in Pittsburgh or Chicago would pay plus the freight from Pittsburgh or Chicago to Duluth.

If you are a manufacturer in Duluth, using primary rolling-mill products for fabrication into various articles of commerce, you must pay the same price for your raw steel that a Pittsburgh or Chicago competitor pays, and on top of that pay the freight to Duluth, and you must pay this freight even though the steel is rolled on Duluth's doorstep and the ore mined in her back yard.

If you owned a nail factory in Duluth and your factory cost was the same as manufacturers of nails in Pittsburgh you could not ship your nails to Brainerd in competition with them. Why? Because the freight you must pay from Pittsburgh to Duluth, plus the freight from Duluth to Brainerd, is greater than the freight from Pittsburgh to Brainerd. So that even though we have the ore, the furnaces, the rolling mill, and the nail mill, Pittsburgh can supply Brainerd cheaper than Duluth.

The Leonidas mine, leased by the corporation from the State of Minnesota—one of the richest and cheapest open-pit mining propositions in the world—will contribute 1,900,000 tons of its ore this year; the State gets 25 cents per ton. The profits of the corporation, based on the figures of its 1917 report, will be more than $30,000,000, and yet the people of Minnesota must pay on every keg of nails, roll of fence wire, or other product of this ore the freight from Pittsburgh to Minnesota. Pay this, even though the steel is rolled in the plant of the Minnesota Steel Co. in Duluth from ore out of the Leonidas mine.

This is the doctrine of "Pittsburgh plus."

MINNESOTA'S BIRTHRIGHT.

By reason of the providential deposit within her borders of the greatest known beds of the richest iron ore in the world, Minnesota is entitled to become chief among American Commonwealths in the iron industry if natural laws were permitted to prevail and her industries to develop on the merits of her location and natural resources.

This distinction she does not now enjoy and never can enjoy under the shadow of Pittsburgh plus, the arbitrary maintenance of which denies to Minnesota her natural rights and confers them upon others.

No corporation or combination of interests has the right to transport the natural resources of this community to some far off and less economic point for manufacture, merely for convenience, or because its mills are there, and add the freight to the price charged the people of Minnesota.

Suppose the milling interests of Minneapolis were to determine that the East, where they grow very little wheat, was more to their pleasure and more con-

venient for the grinding of all the wheat of the Northwest and establish their mills and charge the consumer of Minnesota the freight on the wheat to the East and on the flour back. That is "Pittsburgh plus."

A MORAL OBLIGATION.

This community has an unbroken record of loyalty to the United States Steel Corporation. Local interests have always been willingly subordinated to those of the iron interests because those interests were regarded as our largest and most important business partner in the work of building here a great industrial city.

The steel interests owe more to Duluth than to any other community.

From Minnesota's natural resources comes 80 per cent of the iron ore of the corporation, and in Minnesota there lies in the ground, except as it has already been removed, every dollar of the millions of millions of value represented by its common stock and without which the greatest corporation in the world to-day would have been a failure.

The combination of steel interests owe more to Minnesota than to any Commonwealth in the world and should be zealous always to study ways of returning to her in the fullest possible measure the vast contribution which she has made and is making to their wealth. They are not recognizing this moral obligation.

Suppose the owners of sawmills in Duluth also owned sawmills in an eastern section that had no timber, and that these mills were owned by the same people who owned the forests of Minnesota. Suppose such combined interests should compel the shipment of the logs to the eastern mills and charge the people of Minnesota who use the lumber the freight on the logs East and the lumber back? That is "Pittsburgh plus."

THE MATTER OF PATRIOTISM.

"A sound local patriotism not inconsistent with an intense spirit of national patriotism."

Despite the fact that it has been clearly stated on behalf of this community, and admitted by J. A. Farrell in his letter of November 26, 1917, that loyalty to the Nation is not involved on the side of either party, yet it is occasionally being advanced as an argument for postponing the discussion of Pittsburgh plus.

There is no question about the national loyalty of the citizenship of Duluth; this community and county have stood not midway but at the very front in all war activities. It is not necessary to remind them to be loyal. But how can the recognition and putting into effective operation now of a just economic principle affect the war? Indeed, this is a time when it is peculiarly a duty to look now to the welfare of the community after the war.

If no mills or manufactories are started now in this period of phenomenal expansion, what chance will there be after the war, when capacity for production is far beyond consumption?

The corporation's officials owe to Minnesota and to Duluth the time necessary to consider and grant this request now, which in reality is very simple.

If not granted when there is such enormous demand for increased production, in what position will Duluth be after the war, when inevitably there will be capacity much in excess of demand?

If this were a request for a concession the argument of war business might excuse immediate action, but this is purely the granting of a principle of justice,

and justice should not wait until after the war or upon the contingency of convenience.

A WAR PROGRAM.

Great Britain, as a part of her war program, is providing for the emergencies that will necessarily arise when the war closes. The British Ministry of Reconstruction has well advanced the organization of this work. France has a like program well under way. Our Nation, being admittedly behind other great powers, should not prevent our State from herself planning for a greater Minnesota industrially, agriculturally, and commercially. We possess certain great natural resources—potential possibilities that invite inquiry and appeal with peculiar strength to such program.

To provide for the inevitable emergencies growing out of war, but arising after its conclusion, are just as much emergencies of the war, therefore our present concern, as though such emergencies arose during the war. To provide that Minnesota shall not suffer beyond her sister States; to provide for the conservation, maintenance, and increased usefulness of her natural resources; to provide, if possible, that she shall be a leader among States is rising from the depression of a world conflict into an era of industrial expansion, is a present imperative duty resting upon every citizen and the citizenship as a whole.

Eighty per cent of the ore supply of the United States, so far as known, is in northern Minnesota. This is practically all shipped to the Pittsburgh and Chicago districts and changed into steel. These products are then shipped back to the region that supplies the ore, and the price charged for them includes the freight on 2 tons of ore East and 1 ton of steel back.

THE PRODUCER OF MINNESOTA.

The development of the iron industry within the State would mean a large industrial population. This community believes it to be fundamentally just that the producer on the farms of the State should enjoy the right to the broader, near-by, and logically higher market price for his products which would result from the largely increased population incident to full development of the iron industry.

The producer should not be compelled, as at present, to ship his products 1,500 miles away—pay the freight, losses in transportation, and charges of middlemen—just because the mills belonging to the steel combination happen to be in the East, established there in the beginning because near to the ore supply, then in Pennsylvania and New York State, centralized through 30 years of close guarding and perpetuated after the ore supply shifted to Minnesota only by the adoption of the fiction of Pittsburgh plus.

THE CONSUMER OF MINNESOTA.

By virtue of the phenomenal deposits of cheaply mined high grade iron ore within the confines of Minnesota, consumers of iron and steel possess the right inherently, and as a matter of plain justice, to buy iron, steel, and products derivative thereof at a price based upon its manufacture at the nearest economic point. If the corporation elects to manufacture at distant points it must grant to Minnesota the price which would have resulted from its manufacture here. No combination of steel producers has the right to deny to this community its right to develop and enjoy the fullest economic advantages from its natural resources.

A few have asked, is it not an unwarranted interference with the right of a corporation to choose its own point for doing business? The answer is, we are not telling the corporation where to conduct its business but saying that it shall not deprive us of our right to say where we shall do our business.

A PROBLEM IN ECONOMICS.

Duluth is told that the total capacity of the Duluth steel plant must be devoted to the production of ingots and shipped East by rail to supply the new finishing mills which are being built to roll plates and ship materials for fabrication into ships for the Government, yet to the extent of 200,000 tons these same plates and ship materials are being reshipped by rail to the head of the Lakes to be fabricated into ships for the Government this present season of 1918.

That is to say, 50 per cent of the total capacity of the Duluth plant is burdening the railroads to the extent of 200,000 tons East and the same West.

Not only that, but the freight is causing the ships to cost the Government more than $2,000,000 in excess of what the cost should have been if one or more such finishing mills had been built here and the plates rolled here.

The system of Pittsburgh plus is responsible. Is this helping to win the war?

That a manufacturer in Duluth should be charged and have included in the price he must pay for the raw materials—the products of the steel mill in Duluth—an excessive sum based upon the fiction that 2 tons of ore have been shipped to Pittsburgh or Chicago and a ton of steel back. and the freight paid, when in fact no ore was shipped East and no steel back, and no freight paid—that is Pittsubrgh plus.

Pittsburgh plus is a moral wrong.

PITTSBURGH PLUS SPELLS DULUTH MINUS.

That the United States Steel Corporation realizes this is brought home to us by the frank advice of a big salaried official to a Duluth manufacturer: "You are in the wrong location. Instead of fussing about a base for Duluth, move to where our prices are favorable; we can't make a base price for every hamlet in the country."

Conceive, if you can, the mental condition of a man unable to differentiate the claims of Duluth from those "of every hamlet in the country."

Until the mental attitude of the corporation officials changes, and they correct a situation which forces them to advise factories now here to locate at points more favored by them, there can be little hope for our growth in the iron industry.

This situation will be corrected by granting Duluth's request to be made a basing point for all primary rolling mill products on a basis not less favorable than Pittsburgh.

UNWARRANTED INTERFERENCE WITH BUSINESS.

Is it an unwarranted interference with the right of a corporation to locate its mills wherever it chooses for this community to request an f. o. b. Duluth delivery on all primary rolling-mill products? Duluth thinks not.

First. It is quite obvious that base price, limited only to the products of the Duluth mill, would be of little value in encouraging the locating here of factories for the fabricating of products having raw steel for their base because the corporation could so adapt the products of this mill as that very little or

none of its output could be consumed here, or, in times of overproduction, could close this mill among the first, in which case factories located here, depending upon Pittsburgh base to reach their market, would be closed if compelled to pay Pittsburgh plus.

Second. The iron-ore beds were placed in Minnesota by the act of Providence; the people living here, and in proximity to them, have an economic right to the use and full benefit of that natural resource, and no combination of interests has the right to take away any part of such economic advantage. The fact that a system has grown up which up to this time has prevented such full enjoyment is no reason for its continuance.

Third. If doing away with Pittsburgh plus incidentally forces the erection here of steel mills to produce a wider range of products, that is a matter incident to the granting of a just economic principle and not an unwarranted interference with their choice of where they shall manufacture. If they build here it will be the duress of law or of economics and not the duress of public opinion.

HELP WIN THE WAR.

When the United States Government found it necessary that the full productive energy of Chicago's iron manufacturers was a necessity to the winning of the war, it found that these manufacturers were obliged to add $2 per ton to Pittsburgh prices because of the differential which the combination of steel interests had fixed on Chicago in the way of a price over Pittsburgh base. Inquiry on the part of the Government promptly disclosed that costs were no greater in Chicago and that this was an arbitrary and artificial differential maintained against Chicago, and promptly ordered its removal, so that Chicago fabricators of steel might go to the fullest extent, enlarge their plants, build new ones, and contribute their energy.

WHY NOT MINNESOTA?

The granting of this principle of economic justice for which Duluth contends would result in innumerable mills being built in Minnesota, fabricating the primary products in rolling mills. If this base price is not put into effect now, and we are not started on a program of development of mills here now, while war demands great increases, then no development of consequence will come here during the next two decades.

The war boards at Washington are now seeking to transfer activities in war industries from the congested centers of the East to the West. It should not be necessary to call the attention of the steel interests to Minnesota's claim, but if they persist in ignoring them, it is the duty of citizens to urge such claims and urge them now.

The mines of Minnesota constitute the bases and one ultimate physical necessity to the successful waging of this war. But for them the United States could not wage war.

A DOUBTFUL BOAST.

We not infrequently glibly quote the phrase: "Duluth-Superior Harbor is in point of tonnage second only in importance in the United States."

But we wisely refrain from correlating with this statement of fact that other equally patent truth, viz: that in point of value per ton we are practically the lowest. What is the answer? Obviously it is: develop manufactories. Fabricate our wealth of raw materials at home. Development of the iron industry can not be accomplished under the shadow of "Pittsburgh plus."

Forty-five million tons of iron ore passed over the docks at Duluth and Two Harbors during the season of 1917. The value of that ore at the docks was approximately $140,000,000. Shipped East and manufactured into primary steel, it had a value of $1,350,000,000, almost ten times the value of the ore when it left our shores, and who will undertake to estimate the stupendous value of this ore fabricated into secondary products in factories located in Pittsburgh and Chicago, whose location is inexorably fixed by the doctrine of Pittsburgh plus.

This $1,210,000,000 difference in value between the ore here and the primary steel is represented by just four elements:

Freight (a small item).

Capital investment in great plants.

Permanent additions to the wealth of the community (a great item).

Pay rolls to the industrial millions (a tremendous item) and profits.

In the operation Minnesota loses permanently $12,000,000 of her taxable wealth. Pittsburgh and Chicago gain $1,210,000,000.

NO COMPROMISE.

The question is asked, Will it be substantial compliance with Duluth's request if the United States Steel Corporation makes delivery f. o. b. Duluth at Pittsburgh base on the products which it may from time to time in its discretion manufacture at its plant in Minnesota? The answer is, it will not.

Suppose you are now a manufacturer in Duluth requiring raw, or primary, steel as the basis of your industry, and have built up a market for the distribution of your products over a broad territory, made possible (as would be the case) solely because you are able to purchase your raw material f. o. b. your factory at Pittsburgh base.

What would you do if, having undertaken to fill large contracts, you were to be told that the plant here had none of the material on hand and were not longer rolling that product here, but that they could furnish you from Pittsburgh—plus freight—" Pittsburgh plus "?

The difference in your raw material cost would likely be more than your profit.

What would you do, if in a period of overproduction, or other reason, this plant were to shut down? You must of necessity shut down because you could not meet your competitors on Pittsburgh plus prices for your raw materials.

No concern now here could risk extending its trade territory upon such uncertainty, and no industry seeking a location here could afford to take the risk.

A SHADOW VICTORY.

If Duluth were to be granted a base price only on such products as from time to time the United States Steel Corporation in its discretion may produce at the Duluth plant, Duluth would be accepting the shadow and not the substance of its contention.

Suppose the corporation decided that instead of rolling a large variety of shapes it would be more convenient or expedient to confine this mill to but 3, 4, 5, or even 6, specific things. Such determination would automatically limit the industries that could come here—if such industries were already here, would drive them away.

Suppose the corporation decided to do, as one of its very high salaried employees said it intended to do, viz., produce nothing but intercorporation or semifinished products at the Duluth plant, to be sent to finishing mills of the corporation located elsewhere. In such case an f. o. b. Duluth delivery would be of no value whatever.

Citizens of Minnesota have the right, by virtue of Minnesota's position at the western terminus of the cheap water route on the one hand, and her great iron ore resources, on the other, to fabricate her raw materials without limitations other than economic, and to distribute these products over that cheap water route to the East, South, and West just the same as the East, protected by Pittsburgh plus, now exclusively enjoys the right to distribute them over the same route in the Northwest, South, and Southwest.

It is scarcely conceivable that any combination of interests will attempt to deny this right.

PITTSBURGH PLUS NOT A DULUTH TOWNSITE PROBLEM.

The steel interests should realize, if they do not already know, that this economic question is not a local or townsite question; it concerns the farmers of Minnesota, which means more than half of our population. More than that, it concerns the farmers in all of the States and all of the people north and west of a line drawn from Duluth, southwest to Omaha (known as Banning's Line) every foot of which is nearer to Minnesota's great inland seaport and her iron ore beds than to Chicago.

When the president of one of the local constituent companies stated to the steel base committee that " the entire business of all the territory allotted to the Minnesota Steel Co.'s plant, including the business of the Independents, would not keep the local plant busy three months in the year," he did not grasp the significance of the vast territory and when the people who would be affected, because when asked by the committee what territory was allotted to the Duluth plant, he replied: " Minnesota, part of Wisconsin, North Dakota, Montana, and Idaho." He failed to take into consideration that the distance from Duluth to Buffalo over the great cheap water route is no greater than from Buffalo to Duluth, or that there was a vast territory accessible to that same water route nearer to Minnesota than to Pittsburgh or New York. He failed to grasp the possibilities of reaching south into what is now Chicago territory and the the Western coast. Though he admitted that, " it would be possible for President Farrell and Judge Gary to ' take on ' additional territory for this plant ' if they so desired.' "

Minnesota stands first in Commonwealths in sound cultural methods—her farmers as alert to so conduct her agriculture as to leave the land richer than they found it and thus transmit to posterity a perpetually greater heritage. Such men know that the removal this year of $12,000,000 of the assessed value of our iron ore (one twenty-fifth of the whole) is permanent depletion. What answer shall we make to them?

WHO IS TO BLAME.

In the discussion of the crime of Pittsburgh plus, the United States Steel Corporation is generally named, because it is the biggest single interest and dominating influence in the iron and steel industry.

It is well to remember the corporation mines but 45 per cent of our iron ore; that 55 per cent is mined by the so-called " Independents " ; and that whilst the corporation has constructed a plant in Duluth, though denying to us more than one-half of its benefit, the Independents have never given even serious consideration to the subject.

The Independents are at fault. Not one of them has ever done anything for Duluth, and, if the truth were known, are at the bottom of why Duluth, Minn., and the Northwest pays Pittsburgh plus.

Duluth's contention being for the recognition and putting into effective operation of a principle of economic justice, as distinguished from a contention against any single person or interest, is therefore not against the corporation alone, but against the Independent and the combination of interests, which for their own convenience conspire to perpetuate a wrong.

The Independents are equally at fault and suspiciously near to being the chief offenders.

WHAT IS "THE ANSWER"?

If a steel plant definitely promised to Minnesota in January, 1907, to be completed in 1909, and furnish "cheap, raw materials"—reassured to her in 1909 to be built in 1910 by one authority, and in 1911 by two others—promised in 1913 to be completed in 1914, is not actually completed till June, 1916, and then its products sold on the theory that they have been made in Pittsburgh, shipped to Duluth, and the freight paid. Is that good faith?

Oh! but they say: "Could you expect us to complete the Minnesota plant when our present capacity was not being used?" And yet from the time this plant was promised to the time it was completed the iron industry increased 350 per cent, gauged by the ore shipped from Lake Superior. Witness the figures: 1906, 18,000,000 tons; 1916, 64,000,000 tons. How can these figures be reconciled with the foregoing broken promises and lame excuse?

These solemn facts furnish an interesting speculative problem: If it required an increase of 350 per cent in the iron industry and 11 years' time to start one plant in Minnesota, what increase in the industry and how many years will it require to make of this a iron industrial Commonwealth?

If we accept "lack of business" as an excuse for the completion of a plant in 1916, that was definitely promised in 1907, with the impelling force of the greatest war in history necessary to start it, then truly Minnesota's dream will never come true, because her ores will be exhausted decades before we reach a creditable start on the way to our rightful destiny.

THE SYSTEM VERSUS NATURAL LAWS.

If natural laws should prevail, Minnesota would be supreme in the iron industry.

Trade combination defies economic law, and Pittsburgh plus denies to Minnesota its birthright and to Duluth the natural advantage of its location.

There should be cooperation between Minnesota and the steel interests, but the obligations and benefits of all copartnerships must be reciprocal.

Duluth stands for being made a basing point for steel billets and all rolling-mill products and that this base shall not be above Pittsburgh base.

We decline emphatically to recognize the right of any corporation to take away what is the natural right of this community and bestow it upon another.

There is no more dangerous case of discrimination, and therefore no more serious evasion of the antitrust laws, than Pittsburgh plus.

[In the matter of the Pittsburgh basing point controversy.]

To the FEDERAL TRADE COMMISSION,

Washington, D. C.:

Comes now the Joint Committee of Civic Organizations of the City of Duluth, composed of duly accredited representatives from the following civic bodies of the city of Duluth, the Commercial

Club, the Rotary Club, Kiwanis Club, Duluth Board of Realtors, Retail Merchants' Association, Builders' Exchange, West Duluth Commercial Club, West End Commercial Club, and New Duluth-Gary Commercial Club, by Charles P. Craig, chairman of said joint committee, and for its amended complaint in intervention in that certain proceeding known as "The application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and its subsidiary companies, hereinafter named, and the Inland Steel Co. and the Interstate Iron & Steel Co. and the Steel Tube Co. of America," and signed for such association by James E. MacMurray, its president, and W. E. McCollum, its secretary, and by Miller, Starr, Brown, Packard & Peckham, attorneys for petitioner, and John S. Miller, of counsel, states:

I.

That the Joint Committee of Civic Organizations of Duluth, among other things, claims and represents that as and for its basis for complaint against the United States Steel Corporation and its subsidiaries, etc., referred to in said application, it relies upon the fact that their acts, hereinafter set forth, constitute unlawful restraint of trade and price discrimination contrary to the provisions of anitrust acts, and in particular of section 2 of what is known as the Clayton Act of October 15, 1914, and unfair competition in trade contrary to the provisions of section 5 of the Federal Trade Commission act of September 26, 1914.

II.

Further in this behalf, it is stated by this intervener that within the borders of the State of Minnesota are deposits of the greatest known bodies of the richest and easiest mined iron ore in the world and the most suitable for the manufacture of iron and steel products; that these ore deposits are located in close proximity to Lake Superior, which affords, through the Great Lakes, the lowest known transportation costs for assembling of the additional raw materials necessary to the production of iron and steel; and that these essential raw materials are being delivered and can be delivered at the steel-product plants in Minnesota at as low cost as the same can be delivered at the steel plants at Pittsburgh, Pa., or at any other point in the United States outside of Birmingham, Ala.

III.

This intervenor further represents that the United States Steel Corporation now has in operation at Duluth, Minn., on Lake Superior and near to said iron ore bodies, a large plant for the pro-

duction of steel and a great variety of rolling-mill products, the construction of which is the best modern type for economical production and is capable of producing at the lowest possible cost, taking advantage of the latest devices and improvements for that purpose and making use of all the by-product processes; that the cost of skilled and other labor necessary and employed in the production of steel products at the Duluth plant or mills is not materially greater than the cost thereof at the Pittsburgh mills; that the iron ore product from the mines adjacent to Duluth is delivered and can be delivered at the Duluth plant at a much lower cost than the iron ore is delivered or can be delivered at the Pittsburgh plant; that between 80 and 90 per cent of the iron ore used in the manufacture of steel-base products at Pittsburgh is shipped from the iron mines near Duluth; that steel-base products are produced and can be produced at Duluth, Minn., at as low a cost as the same are produced or can be produced at Pittsburgh; that there is a population of more than 6,000,000 people engaged in the diversified industries and occupations in the States of Minnesota, North Dakota, South Dakota, Montana, Wyoming, Washington, Oregon, and the Province of Manitoba, referred to herein as being tributary to Duluth, which can be supplied with all kinds of manufactured steel products from steel mills at Duluth, over the existing systems of transportation lines, at a lower cost than they can be supplied from the mills at Pittsburgh or from mills at Chicago, Ill., or from any other point where steel can be economically produced and at the same time leave to the producers of such products a reasonable profit over the cost of production; that this population buy and use these steel products to the same extent as populations of other districts; that there is a population of more than 15,000,000 people engaged in diversified industries and occupations in the States of Wisconsin, Iowa, Nebraska, Kansas, Colorado, Utah, Oklahoma, Texas, New Mexico, and Arizona, also referred to herein as being tributary to Duluth, who can be supplied and who should be supplied with all kinds of steel products from steel mills at Duluth, Minn., over the existing systems of transporation lines, in competition with similar steel mills at Chicago, Ill., and at a less price than from similar steel mills at Pittsburgh because of the less freight charges.

IV.

That within the city of Duluth and the cities of St. Paul and Minneapolis, about 150 miles from Duluth, and other cities of the State of Minnesota, there are many large manufacturing plants which fabricate secondary steel products and which buy the base-steel prod-

ucts from the United States Steel Corporation, or Minnesota Steel Co., one of its subsidiaries, produced in its steel mills in Duluth.

V.

This intervenor further charges and states that notwithstanding the natural advantages for the cheap production of steel at the city of Duluth and the present very extensive systems of transportation lines over which freight can be distributed over large areas herein referred to as tributary to Duluth at a less cost than the same can be distributed from Pittsburgh or even from Chicago, the United States Steel Corporation and its subsidiaries referred to herein have been and now are wrongfully and unlawfully charging to consumers and users of its steel products produced at its mills in Duluth, at Duluth, St. Paul, Minneapolis, and other cities and communities tributary to its plant in Duluth the same price that it charges the consumers of its steel product at Pittsburgh, with the freight from Pittsburgh to the point of delivery added, which in the case of Duluth is $9.90 per ton additional.

VI.

This intervenor further charges and states that the United States Steel Corporation and its subsidiaries at Chicago and Joliet, Ill., and Gary, Ind., and the other respondent companies named in the application of the Western Association of Steel Consumers filed herein are producing steel products at Chicago, Joliet, and Gary, the abovenamed cities, at a less cost than said steel products are being produced at Pittsburgh, and that they and each of them are selling and are wrongfully and unlawfully charging for the same to manufacturers in Duluth, St. Paul, Minneapolis, and other Minnesota cities and in other cities in the territory tributary to Duluth the same price or prices which the United States Steel Corporation charges for the same products at Pittsburgh, plus what the freight would be on these products from Pittsburgh to the points of delivery; that the amounts included in the prices so charged to said consumers, which is the amount of the freight charges upon said products from Pittsburgh, Pa., to Duluth, Minn., St. Paul and Minneapolis, Minn., and other points of delivery, are unearned and arbitrary and extortionate, no freight charges being earned or being paid thereon.

VII.

This intervenor further charges and states that prices charged by the United States Steel Corporation and its subsidiaries and the respondents referred to herein for the steel products sold by them

respectively at the said mills located in Duluth, Minn., Chicago and Joliet, Ill., and Gary, Ind., are fictitious, arbitrary, excessive, and inequitable, and, as this intervenor is informed and believes, are the result of secret, unlawful understandings and agreements between said United States Steel Corporation and its said subsidiaries and said other respondents, and of combinations between them and other manufacturers of fabricated steel products in the vicinity of Pittsburgh, to prefer and give advantage to manufacturers of fabricated steel products at and in the general vicinity of Pittsburgh and to exact higher prices for the base-steel products produced at their mills in Duluth, Chicago, Joliet, and Gary aforesaid than the cost of producing of such products at said places with a reasonable profit added thereto, and to prevent the persons and parties interested in and operating allied secondary steel industries now located at the points now nearer to respondent's steel plants at Pittsburgh from establishing steel plants for the production of base-steel products in the territory tributary to Duluth to meet the present demand and the ever-increasing demand for fabricated steel products in the territory tributary to Duluth, to the damage, detriment, and harm of the people of the city of Duluth and of the Commonwealth of the State of Minnesota and of the territory tributary to Duluth in this:

(*a*) It requires every consumer in such territory and cities to pay a very considerable sum more for the steel product purchased by him than the cost of producing such product and a reasonable profit on account of such product, making it difficult for manufacturers of fabricated iron and steel products who purchase base-steel from respondents at the prices which they have paid therefor and must pay therefor to do business at a profit, being forced to do business in violation of the natural laws of trade and business and in competition of manufacturers of like fabricated products at or in the vicinity of Pittsburgh who have such preferential rate as herein set forth.

(*b*) It prevents and discourages the building up of manufactories in said cities and territory and retards the growth and development which naturally belongs to them. The people of every section of our great country have a right to the natural opportunities and resources which are appurtenant to and contained within those sections, and the further right to develop the same commercially and industrially in the usual, customary, and natural manner without let or hindrance from any body or organization of any other section or in the interests of any other section of our country. The acts of the respondents herein complained of deprive the people of the section of country herein described as tributary to Duluth from having built up numerous manufactories of secondary fabricated iron and steel products within this territory and from which the people living therein can

be supplied at a much lower cost than they are now supplied by respondents or than they will be supplied on account of the unlawful and discriminatory prices now charged by them. The acts of respondents complained of herein denies to the city of Duluth and the State of Minnesota the right to develop the iron industries within its borders and enjoy the fullest economic advantages from its natural resources; denies to the producers on the farms of the State the right to enjoy the broader near-by and logically higher market price for his products which would result from the largely increased population incident to the full development of the iron industries and large saving of freight charges, middle men, and losses in transit.

(*c*) It tends to build up a congested district within and in the vicinity of Pittsburgh requiring the shipping of between 80 and 90 per cent of all the iron ore used in the manufacture of steel at Pittsburgh from the iron mines adjacent to Duluth over a distance of practically 1,000 miles and the shipping back of the manufactured steel product from Pittsburgh to Duluth and the territory tributary to Duluth over a distance of from 1,000 to 2,000 miles, thus producing unnecessary transportation charges from this region to Pittsburgh and return and causing loss on all farm products raised within the territory tributary to Duluth on account of the shipment of such products to supply the inhabitants of congested districts around Pittsburgh when such supplies, if the natural laws of trade were not thwarted by the acts of respondents, would in ever-increasing quantities be sold and delivered to men employed in manufactories which would spring up in the territory tributary to Duluth.

This intervenor states that wherever the name Pittsburgh appears herein without any designation of State thereafter, the same is intended to be Pittsburgh, Pa.; that wherever the city of Duluth appears herein without the name of a State appended, Duluth, Minn., is intended; that wherever the name Chicago appears herein without the designation of State, Chicago, Ill., is intended.

Further claiming, this intervenor asserts that there should be a base price established f. o. b. the mills of the United States Steel Corporation in Duluth and that such base price so to be established at such mills be on a parity with that of Pittsburgh and no less favorably to the consumers in Duluth and Minnesota.

The Joint Committee of Civic Organizations of Duluth, this intervenor, respectfully urges that your honorable Commission institute a proceeding in respect to the violation of the laws to which reference is herein made to the end that the people of Duluth and the State of Minnesota may receive justice and enjoy the fullest benefits economically possible of their natural resources and favorable situation; that this committee be advised as to all proceedings taken there-

under; and that it be permitted upon due notice to introduce evidence, file briefs, make oral arguments, or otherwise participate in the hearings that may be held by said Trade Commission by its representatives and attorneys, as it may be desired.

Respectfully submitted.

JOINT COMMITTEE OF CIVIC ORGANIZATIONS OF DULUTH,
By CHAS. P. CRAIG, *Chairman.*

JAQUES & HUDSON,
Attorneys for Joint Committee of Civic Organizations of Duluth.

THEODORE T. HUDSON, *of Counsel.*

APPLICATION OF THE SOUTHERN ASSOCIATION OF STEEL FABRICATORS.

[The application of the Southern Association of Steel Fabricators for a complaint against the United States Steel Corporation and other iron and steel producers.]

To the FEDERAL TRADE COMMISSION,

Washington, D. C.:

1. The Southern Association of Steel Fabricators is a voluntary association of fabricators of steel, whose address is 87½ South Forsyth Street, Atlanta, Ga.

2. This application is for a complaint to be issued by this Commission against the following parties: The United States Steel Corporation, 71 Broadway, New York City; The Tennessee Coal, Iron & Railroad Co., Birmingham, Ala.; The Republic Iron & Steel Co., Birmingham, Ala.; The Gulf States Steel Co., Birmingham, Ala.; The Knoxville Iron Co., Knoxville, Tenn.; and all other steel producers situated or engaged in interstate commerce, in the Southeastern States.

3. The respondents herein have been and are using unfair methods of competition in interstate commerce in violation of section 5 of the act of September 26, 1913 [(?) 1914], commonly known as the Federal Trade Commission Act. They have been and still are discriminating in price between different purchasers of steel sold for use within the United States, and the effect of such discrimination has been to substantially lessen competition in such commodities in violation of section 2 of the act of October 15, 1914, commonly known as the Clayton Act. They have been and now are guilty of unlawful restraint of trade, contrary to the provisions of the antitrust acts.

4. The several violations of law herein charged have been to the injury of the members of petitioner and to the injury of the fabricators and manufacturers of steel products throughout the Southern States.

5. The respondents herein have been and now are engaged in the production and sale in interstate commerce of rolled, semifinished, and finished steel, including plates, shapes, sheets, bars, wire, cotton ties, barrel hoops, and other products. The applicant submits that the normal and reasonable price of such products should include the cost of production, with the addition of a reasonable profit, but without the addition of a large and arbitrary increase under the guise of a fictitious freight rate or otherwise.

6. The three basic elements in the production of iron and steel are iron ore, coal, and limestone. All three of these elements are found together in the Birmingham district, a condition making for low cost production which exists nowhere else in the United States. The respondents situated in the Birmingham district can and do produce steel and iron as cheaply as the producers in Pittsburgh district or elsewhere. If basing points are sound and are to be continued, then Birmingham has the same right to be named a basing point as has Pittsburgh, and the prices charged throughout the South should include only the freight rate from Birmingham and not the freight rate from Pittsburgh.

7. The southern territory in which the factories of the members of the applicant's association are situated is tributary to the mills located at and near Birmingham. Yet the respondents and all other steel producers engaged in interstate commerce, no matter where located, sell their products for the Pittsburgh base price plus the amount of the freight from Pittsburgh to the purchaser. The basis of charge is the same regardless of the location of the purchaser; in other words, the price of steel is increased by a large fictitious freight rate which is not incurred or paid and is not a proper element in the price of the commodity.

8. By reason of this, competition in steel is not only lessened but stifled, the cost of steel is increased by an arbitrary and unwarranted amount, and buyers and manufacturers situated in and near Pittsburgh receive preference and protection and those farther away are discriminated against unfairly and unreasonably.

9. To demonstrate the stifling of competition, applicant shows that the gross price to purchasers of steel is exactly the same whether petitioners buy in Pittsburgh, in Chicago, in Birmingham, or any other place.

10. By way of illustrating the arbitrary and unreasonable increase, applicant shows that on certain grades of steel the freight rate from Pittsburgh to Atlanta is 50 cents per 100 pounds, while from Birmingham to Atlanta it is only 19 cents. This difference of 31 cents in freight, or $6.20 per ton, is arbitrarily added to the price of shipments from Birmingham and is pocketed by the Birmingham producers. On many grades of steel the amount so pocketed is much larger.

11. By way of illustrating the discrimination, applicant shows that some of the largest and strongest competitors of the manufacturers belonging to applicant's association are situated in Pennsylvania, Ohio, Indiana, Kentucky, and other States close to Pittsburgh. The freight rates from Pittsburgh to the points in the States named are much lower than the freight rate from Pittsburgh to Atlanta,

though it is not as low as the freight rate from Birmingham to Atlanta. Applicant's members, however, are compelled to pay the freight rate, Pittsburgh-Atlanta, on steel produced in Birmingham while their competitors are paying the lower rate charged from Pittsburgh to their plants. This discrimination in price is substantial and seriously hampers the business of the manufacturers of the Southeast. It excludes entirely the southeastern manufacturers from some markets which they could otherwise reach, and it amounts to an arbitrary and unreasonable preference and protection given to the regions closer to Pittsburgh at the expense of the rest of the country, and more especially at the expense of the Southeast.

12. These practices of the respondents are not due to natural causes nor are they based on different grades or quantities or qualities of the commodities sold. They are made by agreement and understanding amounting to agreement between respondents and the other producers of steel to maintain such uniform, unreasonable, and discriminatory prices.

Wherefore, applicant respectfully asks that this Commission investigate the matter complained of, and if upon investigation the Commission has reason to believe there is a violation of which the Commission has jurisdiction, that a complaint be issued against respondents, and such further proceedings be had as to the Commission may seem meet and proper.

Applicant further asks that this application be consolidated with the application heretofore filed by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others, and that the complaints issued under the two applications be heard together.

Respectfully submitted.

Southern Association of Steel Fabricators,
By Weltner & Cheatham,
Attorneys, 412 Peters Building, Atlanta, Ga.

APPLICATION OF THE BIRMINGHAM CIVIC ASSOCIATION AND THE BIRMINGHAM STEEL BASE BUREAU.

[The application of the Birmingham Civic Association and the Birmingham Steel Base Bureau, a voluntary association, for a complaint against the United States Steel Corporation and its subsidiary, the Tennessee Coal, Iron & Railroad Co., and the Gulf States Steel Co.]

To the FEDERAL TRADE COMMISSION,
Washington, D. C.:

The Birmingham Civic Association, organized under the laws of the State of Alabama as a corporation, and having as its address the twenty-fifth, twenty-sixth, and twenty-seventh floors of the Jefferson County Bank Building in the city of Birmingham, Ala., and the Birmingham Steel Base Bureau respectfully make application to the Federal Trade Commission to institute a proceeding upon the allegations hereinafter made and to issue a complaint directed against the United States Steel Corporation, a corporation organized under the laws of the State of New Jersey, having its principal offices and address at 71 Broadway, in the city of New York, and its subsidiary corporations, viz, the Tennessee Coal, Iron & Railroad Co. and the American Steel & Wire Co., whose respective addresses are No. 71 Broadway, New York City; and against the Gulf States Steel Co., a corporation, whose principal offices are in the Brown Marx Building in the city of Birmingham, Ala., on the grounds of unlawful restraint of trade and of price discrimination, contrary to the provisions of the antitrust acts, and in particular of section 2 of what is known as the Clayton antitrust act of October 15, 1914; and of unfair competition in trade, contrary to the provisions of section 5 of the Federal Trade Commission act of September 26, 1914, to the prejudice and injury of numerous manufacturers and fabricators that are users of steel and are members of the petitioners' organizations and to the prejudice and injury of hundreds of individuals who are members of petitioners' organizations and thousands of individuals not members of petitioners' organizations but who are ultimate consumers of the various forms of finished products made from rolled steel and located in what is known as southern territory or in all localities of the United States to which the freight rates on steel and finished or semifinished steel products from the Pittsburgh district are higher than the freight rates from what is known as the Birmingham district to such localities.

The petitioners' organizations are composed of upward of 2,000 individuals, firms, and corporations engaged in business in and about

Birmingham, Ala., some in the fabrication of steel products for sale in interstate commerce, and of firms and corporations doing business in the States of Mississippi, Louisiana, Florida, Georgia, Texas, and South Carolina as manufacturers using rolled steel as part of their raw materials, and for the purposes of this application petitioners also represent the Chamber of Commerce of Columbia, S. C., the Tampa (Fla.) Board of Trade, and the Farmers' Protective League of Alabama.

The United States Steel Corporation, respondent, through its subsidiary companies, which it owns and controls, viz, the Tennessee Coal, Iron & Railroad Co., and the American Steel & Wire Co. are and have been for a long time engaged in the production and sale in interstate commerce of steel billets and rolled steel, including plates, shapes, bars, wire, and other products of their rolling mills and semifinishing plants located at or near Ensley, Ala., Bessemer, Ala., and Fairfield, Ala., and said United States Steel Corporation through its subsidiaries is and has been for several years engaged in the production and sale of such rolled-steel products in interstate commerce from plants located in the Pittsburgh, Pa., and other eastern districts.

The Gulf States Steel Co., respondent, is engaged in the production and sale in interstate commerce of various forms of rolled steel, including bars, nails, fencing, and wire materials, its plant being located at or near Alabama City, Ala., situated about 50 miles from Birmingham, Ala.

The steel billets and rolled steel, including the various forms of wire material made in the Birmingham district by the respondent United States Steel Corporation and through its said subsidiary at the plants in Ensley, Bessemer, and Fairfield, Ala., are produced at a materially lower cost than the like products are produced by its other subsidiary companies and by the so-called independent steel companies in the Pittsburgh or eastern districts. The said plants at Ensley, Bessemer, and Fairfield, Ala., are situated, respectively, about 6, 11, and 5 miles from the center of the city of Birmingham, and that among the factors making for the said lower cost of steel production in said Birmingham district is the proximity of the iron ores, coal, and limestone, the three essential raw materials, all of which are within a radius of not exceeding 25 miles of one another and in most instances much nearer together in said district.

Steel production in said Birmingham district and at Alabama City, Ala., has been on the increase during several years past, and recent demand has caused the construction at Fairfield, Ala., of a large rolling mill, a large blooming mill, and a large fabricating plant by the United States Steel Corporation through the subsidiary, the Tennessee Coal, Iron & Railroad Co., this in addition to

the facilities of the same corporation consecutively built by it at Ensley and Bessemer in the form of a modern steel production plant and rail mill at Ensley and a rolling mill at Bessemer. The said plants at Fairfield have been completed during the year 1919.

Applicants respectfully submit that the fair and reasonable price for steel billets and rolled steel should be determined, if open competition existed, by the cost of production plus a reasonable profit, without the addition of any substantial and arbitrary increase, which forms no part of the cost of production, but is over and above such reasonable profit. The territory wherein are situated the factories of petitioners' members and their plants, as well as the thousands of ultimate consumers represented by petitioners in this application, should be normally and naturally tributary to the location of the mills at Bessemer, Alabama City, Ensley, and Fairfield, where steel is produced at the lowest cost and where and to and from which the greatest and shortest facilities for transportation from mill to consumer are and will continue to be furnished.

Applicants are informed and believe and therefore state that the United States Steel Corporation, through its subsidiary, the Tennessee Coal, Iron & Railroad Co., owns and controls upward of 700,000,000 tons of iron ore and 2,000,000,000 tons of coal, situated practically all in what is known as the Birmingham district; that approximately one-half of said coal supply is of a superior coking quality; and said iron ore is largely of a self-fluxing quality, analyzing approximately 38 per cent metallic iron, and said ore is well suited to the manufacture of basic pig iron for use in the production of basic open-hearth steel.

If the principle is accepted of fixing the price of rolled steel in accordance with the law of supply and demand and by determining the cost plus a reasonable profit, then the price of rolled steel and billets f. o. b. mills in the Birmingham district should be as low and not higher than the price at mills in any other district in the United States, because, as hereinbefore stated, the cost of steel production in the Birmingham district is as low as at any other point or points in the United States. And the fixing of any higher price in said district than is fixed elsewhere is arbitrary, artificial, and uneconomical and gives to respondent producers excessive and unreasonable profits.

If basing points for steel price-making be deemed sound in principle and practice, in the interest of economy of trade, both to producers and consumers in the several districts or sections to be served, the selection of such basing points should take into consideration the cost of production at such points and the natural right of consumers in such districts or sections to purchase their steel requirements at prices related to their distance from such basing

points. And the Commission should further consider in this connection that the fixing of a fair and reasonable mill price for rolled steel and billets at Birmingham as one of such proposed basing points would naturally attract to the sections tributary thereto numerous fabricating plants or large users of such steel for distribution to consumers who are and will be located in said sections, thus by normal processes of trade creating materially greater demand for such steel in the Birmingham district than now appears by reason of the single base at Pittsburgh, as hereinafter described.

Applicants further submit that in any proper consideration of the question of more than one basing point, in addition to the economic reasons above set forth, Birmingham best answers all the requirements and conditions of a basing point because of its long distance from Pittsburgh, viz., approximately 800 miles by rail.

In support of this application your petitioners submit the following facts as constituting the violations of law complained of:

1. That said United States Steel Corporation and its subsidiaries, the Tennessee Coal, Iron & Railroad Co. and the American Steel & Wire Co., acting under its control and direction, and the said Gulf States Steel Co., upon sales in interstate commerce for use, consumption, or resale within the United States, are and have for several years past been charging to members of the petitioner association and to other purchasers in the States mentioned in the second paragraph hereof, for rolled steel consisting of steel plates, shapes, bars, wire, and other rolled steel products of their respective mills which are by them rolled and manufactured and delivered at or shipped from their said respective rolling mills or plants situated at Bessemer, Fairfield, and Alabama City (said Gulf States Steel Co., however, does not roll plates or shapes, as applicants are informed), at a price which is fixed by adding to the prevailing prices f. o. b. mills Pittsburgh the amount of the railroad freight charges or cost of transporting such commodities from Pittsburgh, Pa., to any destination (other than Birmingham) where they are to be received by the purchasers, respectively, less the freight charges from the plants of such producers to such destination, as if such commodities were in fact shipped from Pittsburgh instead of being shipped from their respective mills at Bessemer, Fairfield, and Alabama City, as the fact is, and notwithstanding steel is produced in the Birmingham district at materially less cost than in the Pittsburgh district. In other words, the prices of such commodities are increased by large and unwarranted profits and large and fictitious freight rates, which amount to variously from $3 to about $11 per ton, and which are not incurred or paid and are no proper element or part of the price of such commodities but are an arbitrary,

excessive, and unreasonable addition thereto. To purchasers who are fabricators situated in Birmingham proper, applicants are informed, and on such information say, that for plates, shapes, and bars respondents charge prices f. o. b. mills the same as Pittsburgh mill prices, with an arbitrary addition of $3 per net ton. However, as the result of the single-base system herein described, the price on all finished steel products manufactured by respondents in their mills or plants located at said points in Alabama as paid by the ultimate consumer is the same as if said products were shipped from Pittsburgh all the way to any point or points in the Birmingham district or in the southern territory tributary thereto, although in reality they are shipped from the said mills or plants in Alabama.

2. That many of your complainants, members of the petitioner associations, are competitors in business in interstate commerce of other fabricators in what is known as the Pittsburgh district or at points nearer Pittsburgh than Birmingham who have been during the same period and are also purchasers in interstate commerce from respondent United States Steel Corporation of like commodities, and to such competitors the said respondent has been and is selling such commodities at prices substantially less than the said prices by it exacted from and paid by the members of the applicant associations as aforesaid.

3. That the respondent United States Steel Corporation during said period has been and is selling such commodities to such competitors at Pittsburgh and in the Pittsburgh district of the complaining members of the applicant associations f. o. b. Pittsburgh and at prices less by the amounts of the ruling freight charges on like commodities from Pittsburgh to Birmingham, or by a substantial portion of that sum, than the prices so made to members of the applicant associations or other fabricators or consumers located in the Birmingham district or in the territory tributary thereto, for like commodities produced at Ensley, Bessemer, and Fairfield.

4. The respective respondents engaged in interstate commerce thus, as applicants charge, discriminate in price of such commodities (which commodities are so sold for use, consumption, or resale within the United States) in favor of such competitors of members of the applicant associations who are located in the Pittsburgh district or in the territory tributary thereto and against the members of applicants and other consumers of rolled steel products located in the Birmingham district or in the territory tributary thereto.

5. The effect of such discrimination in price is to cause to and impose upon the fabricator members of applicants with respect to sales or attempted sales by them of their products to customers in the Pittsburgh district, or in the territory north or east of said

Birmingham district, the great cost or sum amounting to the excess of the freight rates from Pittsburgh over the freight rates from Birmingham to the respective locations of factories operated by applicants' members or other fabricators in what is known as the southern territory, in addition to the cost of transportation of their own product from their plants to customers in the Pittsburgh district or territory tributary thereto as aforesaid, and thereby practically to exclude them from such trade in competition with fabricators located in said Pittsburgh or eastern district or territory, while but for such discrimination in price they could and would successfully compete with such eastern competitors for and receive and enjoy profitable trade in such territory north and east of said Birmingham district, particularly in that portion thereof lying nearer or as near to Birmingham as to Pittsburgh, or whereto the freight charges on such commodities from Pittsburgh and Birmingham are approximately the same, and from which intermediate territory applicants' fabricator members are now so practically excluded.

6. The further effect of such discrimination in price (while so practically excluding complainants, fabricator members of applicants from such eastern and intermediate markets) is to enable and permit their said eastern competitors (purchasing such commodities from the respondent the United States Steel Corporation or its subsidiaries f. o. b. Pittsburgh and at such lower price than members of the applicants can purchase, as aforesaid) to ship and deliver their products to purchasers thereof in the district tributary to Birmingham at a cost or expense lower than or practically as low as said members of the applicants can or could ship and deliver their products to such purchasers, and so to compete on equal terms with such members of applicant associations for the trade in the territory of such members.

Therefore the applicants charge that the fact that such Birmingham district fabricators of steel are obliged to pay for rolled steel purchased of the respective respondents and produced at their mills or plants in said Birmingham or Alabama district in accordance with this single-base system, i. e., a price equal to the Pittsburgh base price of the commodity plus a sum equal to the freight charge per ton (or a substantial portion thereof), from Pittsburgh to the point of destination (although, in fact, no such freight charge is actually incurred), deprives such consumers of rolled steel in the Birmingham district and territory tributary thereto from enjoying the advantage to which they are entitled by reason of their proximity to the low-cost producing plant at Ensley and elsewhere in the Birmingham district, and arbitrarily and unjustly discriminates against such consumers in said Birmingham district and the territory tributary thereto in so

excluding them from competing for business with those fabricators who are in or tributary to the Pittsburgh district and the East and in enabling such eastern fabricators at the same time to compete on unfairly advantageous terms in trade with the fabricators in the Birmingham district as if the plants of such eastern fabricators were in the Birmingham district or in the territory tributary thereto.

7. The discrimination in price and disadvantage so suffered by the fabricators and consumers of rolled steel in the Birmingham district and territory tributary thereto is not a natural one and is not due to their geographical location or remoteness from adequate sources of supply. Under the play of the natural and normal forces governing supply and demand (which has already led to the development of the steel industry there) and with the removal of the artificial barriers in the form of the discriminations herein complained of, the supply in such Birmingham or Alabama district of rolled steel and rolled steel products will accommodate itself to and meet the demands therefor.

8. Such increase in cost of rolled steel increases the cost and selling price of everything involving its use, and not only the fabricators in the Birmingham district and territory tributary thereto, but their customers and all people who consume or use the products of steel in that section of the country, are wrongfully and prejudicially affected by this compulsory increase in price of the products they purchase caused by such artificial increase in price of rolled steel; every farmer buying fence wire, every home builder buying nails, every city or county constructing its schoolhouses or bridges, must pay this excessive price, and the tenant of every building using structural steel or reinforcing bars must pay this economic tax in the last analysis, being so situated in said district of the South farther removed from Pittsburgh than from Birmingham and notwithstanding steel is produced cheaper in said Birmingham district than in the Pittsburgh district; and such discrimination in price is against and unfair and unjust and prejudicial to the general commercial interests of such territory constituting the Birmingham district in favor of such Pittsburgh or eastern district.

9. To meet the said Pittsburgh base price, the respondents who have mills in the Birmingham district make prices and sell to purchasers in the Pittsburgh district or in territory nearer Pittsburgh than Birmingham, who are competitors of fabricator members of applicants, at prices of the Pittsburgh mills and themselves absorb the freight rates from their mills to the purchasers' plants, and thus discriminate in price to the amount of several dollars per net ton in favor of such competitors and against applicants' said members.

10. The respondents having mills at Fairfield, Ensley, and Bessemer do not in all cases or uniformly maintain or charge such Pitts-

burgh base price, but have practiced and made and do make other discriminations in price in favor of certain customers in the Birmingham district, viz: They have quoted and made and do quote and make prices to railroad companies for rails, angle bars, and tie plates and other steel railroad equipment f. o. b. Birmingham or Pittsburgh or f. o. b. mill. The said Tennessee Coal, Iron & Railroad Co. quotes and sells pig iron at practically the same price f. o. b. Birmingham and Pittsburgh. And applicants submit that such practices, besides constituting discriminations in price, as aforesaid, show that such price fixing f. o. b. Pittsburgh solely has no trade or economic foundation.

11. The effect of the discriminations in price, as aforesaid, may be and is to substantially diminish competition and tends to create a monopoly in the said line of commerce if, indeed, such monopoly does not already exist to all intents and purposes in the domestic trade of the United States.

12. Said discriminations in price between purchasers of such commodities are not on account of differences in the grade, quality, or quantity of the commodity sold and do not make only due allowance for difference in the cost of selling or transportation, nor are such discriminations made in good faith to meet competition but are made by agreement or understanding tantamount to agreement between respondents or between respondents and other producers of steel in order to maintain prices of rolled steel and particularly to maintain prices of rolled steel and finished and semifinished steel products and to maintain such increased and unreasonable prices in and throughout said Birmingham district to the members of the applicants and other consumers in said district and territory tributary thereto.

13. The applicants charge and submit that the respective respondents above named, the United States Steel Corporation, the Tennessee Coal, Iron & Railroad Co., and the Gulf States Steel Co., in the course of their said commerce in the acts and respects hereinabove set forth, have discriminated and are discriminating in price between different purchasers of commodities, which commodities are sold for use, consumption, or resale within the United States where the effect of such discriminations may be to substantially lessen competition or tend to create a monopoly in the line of commerce hereinbefore mentioned.

14. The applicants further charge and submit that the acts of respondents set forth above and complained of use, cause, and bring about and constitute unfair methods of competition in commerce, which are declared to be unlawful by section 5 of the said Federal Trade Commission Act.

Petitioners therefore respectfully ask that by reason of the foregoing facts disclosing acts and conditions set forth in this application of unlawful discriminations in price and of unfair methods of competition in commerce, this Commission investigate the matter complained of, and if on such investigation the Commission has reason to believe that there is a violation of the law over which it has jurisdiction, that a complaint be issued against the respondents, or any of them, and such further proceedings be had as the law requires or contemplates and to the Commission shall seem meet.

Respectfully submitted.

Birmingham Civic Association,
By E. B. Irwin, *President.*
C. L. Harold, *Secretary-Manager.*
Birmingham Steel Base Bureau,
By G. R. Harsh, *Chairman.*

ANSWERS.

ANSWER OF THE UNITED STATES STEEL CORPORATION, ETC.

[In the matter of the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.—Answer of the United States Steel Corporation, Carnegie Steel Co., Illinois Steel Co., and Minnesota Steel Co.]

BEFORE THE FEDERAL TRADE COMMISSION.

The United States Steel Corporation, Carnegie Steel Co., Illnois Steel Co., and Minnesota Steel Co., appearing by leave of the Federal Trade Commission, and responding to the application of the Western Association of Rolled Steel Consumers for a complaint against them and others, say:

1. Respondent, United States Steel Corporation, is not now and never has been engaged in the production or sale of rolled iron and steel at Gary, in the State of Indiana, or South Chicago or Joliet, in the State of Illinois; or Milwaukee, in the State of Wisconsin; or Duluth, in the State of Minnesota; or Pittsburgh, in the State of Pennsylvania; or elsewhere, as stated in said application. United States Steel Corporation owns substantially all the stock of the Carnegie Steel Co., which produces and sells rolled iron and steel and other iron and steel products at Pittsburgh; substantially all the stock of the Illinois Steel Co., which produces and sells rolled iron and steel and other iron and steel products at Joliet, South Chicago, Gary, and Milwaukee; and substantially all the stock of the Federal Steel Co., whose subsidiary, the Minnesota Steel Co., manufactures and sells rolled iron and steel and other iron and steel products at Duluth. United States Steel Corporation sustains no relation to any of said companies except as stockholder as aforesaid, although it does from time to time make recommendations to said manufacturing companies with respect to the conduct of their several businesses and exercises such control over them as is incident to such stock ownership.

2. Respondents, Illinois Steel Co. and Minnesota Steel Co., generally sell their products of iron and steel at the prices charged for similar products in the Pittsburgh district for delivery at the Pittsburgh mills, plus an amount equal to the freight on such products from Pittsburgh to the point of destination. This is the practice of steel manufacturers generally. The prices so charged are not arbitrary nor are they the result of any agreement or

understanding between producers. On the contrary, they are fixed and controlled by the law of supply and demand and are the market prices prevailing in the territory served at the time of service. Said practice had its inception at the beginning of the steel industry in this country. At that time nearly all the iron and steel produced in the United States was manufactured in the Pittsburgh district and the Pittsburgh mills controlled the price as a matter of course. Since that time many mills have been established in different parts of the country outside of the Pittsburgh district, largely in what is known as the Chicago district. Such mills, however, have never been able to supply the requirements of the territory tributary thereto, the major part thereof having always been supplied by the Pittsburgh mills. As a consequence consumers within such territory have been obliged to depend upon the manufacturers in the Pittsburgh district for the larger part of their supplies, and for this reason the practice of selling at the prices charged by the Pittsburgh manufacturers plus freight from Pittsburgh has been continued down to the present time.

3. The practice of selling at the Pittsburgh base price plus freight has not, however, been adhered to at all times or under all circumstances. When the demand has equaled or exceeded the supply it has generally been followed, but when the demand has lessened and the supply has materially exceeded the demand, and particularly when the production in the districts outside of Pittsburgh has equaled or exceeded the requirements of such districts, little attention has been paid to the Pittsburgh price, and the freight charged from Pittsburgh has either been omitted altogether or greatly reduced, following again the law of supply and demand in the territory served.

4. The practice above described long since became and still remains a settled custom in the trade. The business of producers and consumers have been arranged, manufacturing and fabricating plants have been located, and vast investments of capital have been made in reliance upon it. To change such practice by order of the Commission or in any other way than by the ordinary processes of trade would create great confusion in the industry and cause incalculable loss to a large number of concerns engaged in the business, and, respondents submit, should not be attempted.

5. Respondents further submit that the determination as to whether Chicago shall be a basing point in fixing the manufacturers' price for iron and steel would necessarily involve the determination of the price at which such manufacturers shall sell their products, and that such determination is beyond the powers conferred upon the Federal Trade Commission by law. To merely order that the Chicago manufacturers shall sell such materials as they manufacture at

a Chicago base price without fixing such price would but require a change in the name by which the transaction is described without affecting in any way the substance thereof.

6. Respondents further submit that Chicago could not properly be made a basing point for the sale of iron and steel under present conditions. Pittsburgh is and will continue to be the basing point for such products in the sense that it controls and will continue to control the price of iron and steel throughout the country so long as the country is dependent upon it for a substantial portion of its supply. It may be, as claimed in said application, that the greatest normal growth and increase in iron and steel production under peace conditions will naturally and normally be in and about Chicago, and it may be that at some future time the Chicago district will lead in the production of iron and steel in this country. When that time arrives, if it ever does arrive, the primacy will pass to Chicago, and it will become the basing point without the order of any legislature or commission and without the power of any person to prevent it. Until that time and so long as Chicago is only able to manufacture less than half of what it consumes, it is idle, respondents submit, and contrary to all economic laws to insist that it shall be made a basing point. Chicago producers can not be expected, nor should they be required, to sell their products in any locality at less than the market price prevailing in such locality, or at a substantially less price than their customers in such locality are obliged to pay to other producers for the major part of their requirements.

7. Respondent, United States Steel Corporation, denies that it discriminates between the purchasers of iron and steel in the Pittsburgh and Chicago districts within the meaning of section 2 of the Clayton Act. Assuming (although such is not the fact) that it sells in the Pittsburgh district what is there sold by the Carnegie Steel Co., and in the Chicago district what is there sold by the Illinois Steel Co., it says that such sales are made in each district to purchasers of the same class at the same price and are made in each district at the market prices there prevailing. Iron and steel are sold generally to the manufacturers of agricultural implements, and steel rails and accessories are sold to the railroads on a different basis and, in the case of some articles, at a lower price than to other consumers. The users of such steel, however, are not in competition with any other class of users, and the practice neither lessens competition nor tends to create a monopoly in any line of commerce.

8. Respondents deny that the charging of a greater price for steel products in the Chicago district than is charged for like products in the Pittsburgh district under the circumstances above set forth amounts to unfair trading within the meaning of the fifth section of the Federal Trade Commission Act. The unfair trading pro-

hibited in that section is such as tends to the injury of competitors, not customers, and it is not suggested that the practice complained of is of that character. Moreover, such practice operates to the benefit of the consumers of steel, without regard to their location, as it gives them the benefit of the competition of the manufacturers of the whole country, whereas if the course insisted upon by the applicants should be adopted competition between localities would to a large extent, if not altogether, be destroyed. Nor is the claim that the Chicago fabricators are prevented by the practice in question from competing with the Pittsburgh fabricators in the latter's territory a substantial one. The fabricating business is essentially local in character on account of the high freight rate on fabricated material because of its bulk. The Chicago fabricators therefore could not successfully compete with the Pittsburgh fabricators in the latter's territory, even if the cost of rolled steel was the same in each locality.

9. While respondents concede the jurisdiction of the Commission to determine any question of discrimination arising under the second section of the Clayton Act and any question of unfair methods of competition arising under the fifth section of the Federal Trade Commission Act, they deny the jurisdiction of the Commission to fix the prices at which steel products shall be sold or to determine whether Pittsburgh, Chicago, or any other point shall be a basing point upon which such prices shall be made. As to the allegations of discrimination and unfair methods of competition, respondents submit that the practices hereinbefore described do not involve either, and do not tend to substantially lessen competition or to create a monopoly in any line of commerce.

10. Respondents respectfully submit that the application for a complaint should be denied.

Dated August 19, 1919.

United States Steel Corporation,
By Elbert H. Gary, *Chairman.*
Carnegie Steel Co.,
By H. D. Williams, *President.*
Illinois Steel Co.,
By E. J. Buffington, *President.*
Minnesota Steel Co.,
By Elbert H. Gary, *President.*
William W. Corlett,
Attorney for Respondents,
71 Broadway, New York.

R. V. Lindabury,
Of Counsel.

ANSWER OF THE STEEL & TUBE CO. OF AMERICA.

[In the matter of the application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and its subsidiary companies, and the Inland Steel Co., the Interstate Iron & Steel Co., and the Steel & Tube Co. of America.]

BEFORE THE FEDERAL TRADE COMMISSION.

[Application No. 9—1296.]

STATEMENT OF POSITION OF THE STEEL & TUBE CO. OF AMERICA.

1. As to the allegation of said application that the respondents are, and since on or about the 1st day of July, 1918, have been, charging the petitioner and other customers for steel and steel products at prices fixed by the method stated in said application, this respondent says that said method of fixing prices was not adopted on or about the date mentioned, but that it has been generally followed during practically the entire history of steel production in this country, except during the period from September 24, 1917, to July 1, 1918. As a war measure, the President of the United States on September 24, 1917, approved an agreement between the War Industries Board and the steel manufacturers, which became immediately effective on that date, whereby the prices for steel bars, shapes, and plates were fixed with Pittsburgh and Chicago as bases. That agreement, subject to certain modifications, was continued in force by orders entered from time to time by the War Industries Board, with the approval of the President, and on June 21, 1918, the War Industries Board announced that the President had approved an agreement with the representatives of the iron ore, pig iron, and steel interests that the maximum prices then prevailing on steel products should continue in effect for a period therein specified, subject to two exceptions, one of which was as follows: "On and after July 1, 1918, the basing point for steel bars, shapes, and plates shall be Pittsburgh, Pa." Thereupon the steel manufacturers returned to the method generally prevailing prior to such war measures.

2. The said method of fixing prices is not the result of any agreement, or of any understanding amounting to agreement, between this respondent and other producers of steel, in order to maintain prices of steel, either in the so-called Chicago district or elsewhere, or for any other purpose. No such understanding or agreement exists or has existed. The said method was and is a natural and necessary incident to competition in the steel industry. The steel industry practically had its origin in the Pittsburgh district, which at all times has produced and still does produce much the larger part of the steel made in the entire country and its product is sold throughout the country. The manufacturers of steel in the Chicago district, as

respondent is informed and believes, have in the past produced and do now produce much less than one-half of the steel required to meet the demands of consumers in that district. The larger part of the needs of consumers of steel in said district is supplied from the Pittsburgh district, and as a necessary consequence the market price within the Chicago district is generally the Pittsburgh price with freight from Pittsburgh added. It is submitted that there can not be two market prices for steel products in the Chicago district, one applying to steel produced in that district and another to steel produced in Pittsburgh and shipped into that district, and that so long as a large portion of the needs of that district must be supplied from the Pittsburgh district the market price will, through the natural operation of the laws of trade, be generally the price at which the Pittsburgh product is delivered in the Chicago district.

While generally the prices in the Chicago district are based on Pittsburgh prices, the prices made by the mills in the Chicago district vary from time to time in accordance with the relation of the supply to the demand in that district.

3. The use of the Pittsburgh base by steel manufacturers is but a method of arriving at the price at which the manufacturer will market his product, which is in conformity with, controlled by, and subject to the law of supply and demand. The establishing of Chicago as a basing point by the Commission, as is suggested in the application, would be an attempt arbitrarily to fix prices, in disregard of "the natural and normal forces governing supply and demand," to use the language of the application. It would have the necessary effect of lessening competition. But this respondent submits that it is not within the power of this Commission to fix prices to be observed by the manufacturers, either by establishing Chicago as a basing point or by any other methods.

4. Paragraph 7 of the application alleges that if the use of the Pittsburgh base is abandoned "the supply in such Chicago district of rolled steel and rolled steel products will accommodate itself to and meet the demand therefor." It is not reasonable to assume that the development of the steel industry in Chicago will be stimulated by removing the advantage it now has, arising out of its proximity to its chief market. It would seem that the natural effect would be to check such development. But, however that may be, the implied admission that the Chicago mills can not now supply the demands of the district makes it certain that the market price under present conditions in that district can only be determined by the operation of the law of supply and demand.

5. The erection of steel plants in the Chicago district, involving investment of a large amount of capital, was in large measure due to the advantage gained by nearness to the market to be supplied.

It would be both unfair and uneconomic for this Commission, if it had the power to do so, which this respondent denies, to compel respondent and other manufacturers to forego this natural trade advantage.

6. Respondent denies that it has discriminated in prices between complaining members of the applicant association and their competitors in the Pittsburgh district, or in the States east of Indiana, where the effect of such discrimination has been, or might be, to substantially lessen competition or tend to create monopoly, or that it has discriminated between purchasers in any way contrary to the provisions of section 2 of the Clayton Act.

7. Respondent denies that said method of fixing prices brings about or constitutes an unfair method of competition in commerce, which is declared to be unlawful by section 5 of the Federal Trade Commission Act. That section is intended to prevent the use of unfair practices or methods of competition between manufacturers or dealers in any line of commodities against each other, and the application contains no charge that any such methods or practices are or have been used by the respondent or other steel manufacturers.

8. Much the major portion of the rolled steel products of the respondent is in the form of pipe and tubing. Respondent is the only manufacturer of such pipe and tubing in the Chicago district. It supplies, however, but a small part of the pipe and tubing used and sold in said district, the larger portion thereof being furnished from the Pittsburgh district. The price at which it sells is and must be, therefore, the price made by manufacturers of the Pittsburgh district. It is therefore submitted that if this Commission has any power, which is denied, to require the sale of the pipe and tubing manufactured by respondent upon a Chicago base, such power should not be exercised to compel respondent to sell the comparatively small percentage which it produces at a price less than that at which the major portion of the pipe and tubing sold in the Chicago district is marketed.

9. Respondent denies that it quotes or makes, or has quoted or made, prices to manufacturers of agricultural implements on any other basis than that used in sales to its customers generally. As to the allegation that it discriminates in favor of railroad companies in quotations for rails, angle bars, splice bars, and tie plates, respondent says it does not manufacture or sell any of the articles mentioned.

10. It is submitted that no complaint should issue upon the application.

The Steel and Tube Company of America,
By Clayton Mark, *Chairman.*

Scott, Bancroft, Martin & Stephens,
Attorneys for The Steel & Tube Co. of America,
134 South La Salle Street, Chicago.

ANSWER OF THE INLAND STEEL CO.

[Statements submitted by Inland Steel Co. to the Federal Trade Commission at the suggestion of the commission in reply to the application of the Western Association of Rolled Steel Consumers for the institution of proceedings by the commission to prevent the use of a Pittsburgh base price in connection with the sale of iron and steel products.]

[Application 9–1296, basing point for steel.]

The Inland Steel Co. fully approves of the fact that this application has been made to the Federal Trade Commission and is quite willing to ignore any personal interest it may be supposed to have in the continuing of the present selling methods if the Government will carefully investigate the conditions and set its approval on such method as the Federal Trade Commission may decide to be fair and reasonable to both buyers and sellers.

The Inland Steel Co. has no steel works east of the Chicago district and sells very little, if any, steel east of Indiana. Its natural market is west of Ohio, south to the Ohio River, and thence west to the Pacific coast.

The Inland Steel Co. does not have and never has had access to the cost sheets of the subsidiary companies of the United States Steel Corporation and is, therefore, unable to state from knowledge what are the comparative costs of the production of steel in the plant of Carnegie Steel Co. or the Illinois Steel Co.

The application apparently seeks to convey the impression that the main factor in the cost of steel is the freight rate upon iron ore. This is obviously misleading. In the production of pig iron the tonnage of coal and limestone involved in the process of conversion is approximately equal to the tonnage of ore, and in the production of steel the tonnage of coal alone employed in the process largely exceeds the tonnage of ore. The coal used in the manufacture of coke for pig iron by the Inland Steel Co. must be hauled to its plant from the Pennsylvania and West Virginia fields, and the steam coal obtained from Indiana and Illinois for heat-making purposes is more expensive in proportion to quality than is the coal of the Pittsburgh district.

Much of the equipment, machinery, and supplies used in the manufacture of steel is produced in quantities only in the Pittsburgh district and have to be imported from that district by outside plants.

Without attempting to discuss the details of the costs in the respective territories and without accurate knowledge on the subject, the Inland Steel Co. desires to express its conviction that production of steel by equal plants in the Pittsburgh and Chicago districts would show lower cost in the Pittsburgh district.

The industry was first established in the Pittsburgh district. Many of the large producers in the Pittsburgh district entrenched themselves by the acquirement at a comparatively early period of iron mines and other sources of raw material at a price lower than that at which similar sources could be acquired when Chicago competitors entered the field. This more than offsets any advantage which the Chicago district steel makers enjoy in connection with transportation costs.

The Inland Steel Co. emphatically denies all insinuations contained in the application to the effect that it is or has been a party to price fixing or that it is not engaged in active competition with other steel mills, including the subsidiaries of the United States Steel Corporation.

The Inland Steel Co. is absolutely independent of all other concerns engaged in the same line of business and offers its products to its customers, quoting prices based upon its desire to obtain a reasonable profit and primarily governed by market conditions in the industry.

When the Inland Steel Co. entered upon its business career the Pittsburgh district was, as it still remains, by far the largest producer of steel products in the country. Pittsburgh competition was the controlling competition which plants located elsewhere were required to meet in order to sell their products. Customers invariably insisted upon comparing prices quoted in the Pittsburgh district, and the simplest method of assuring such comparison was the use of the Pittsburgh quoted prices as a base.

The Chicago district never has and does not now produce iron and steel sufficient to meet the demands of consumers in the district. A very large part of such consumers must necessarily buy their steel and iron products from the Pittsburgh district.

The investment in modern steel plants is very large and for that reason steel plants are not mobile. They can not readily move from point to point, and to endeavor so to do would involve very great economic waste in the amortization of the cost of abandoned plants and would be altogether undesirable.

The controlling factor in determining prices has always been the question of whether demand is in excess of production or production in excess of demand.

The use of the Pittsburgh price as a base in no way controls the price which the producer makes to the consumer.

If there is a surplus of steel products on the market, the desire to dispose of the product involves a reduction of prices, sometimes to the point of an actual loss. Where the supply is less than the de-

mand, consumers often offer to pay advanced prices or premiums to insure deliveries, and the result is the same whether a Pittsburgh base price is the groundwork of competition or whether each steel plant arrives at the prices demanded by some other method of computation.

If prices were fixed by agreement among the producers, it would be a matter of small importance by what system of figures the agreed price was reached.

When prices are made as a result of competition, as is the case with all sales made by the Inland Steel Co., it is likewise of little importance what method of computation is used.

The Inland Steel Co. has a given output. That output it markets at the best prices reasonably and fairly obtainable. When customers are not plentiful, it cuts that price down to a figure which will enable it to sell its products.

The individual members of the association making the application have seemed generally to have enjoyed a period of great prosperity during the last few years. The public statements of such of them as have been accessible have shown profits favorably comparable in proportion to capital invested with the profits of the steel producers so far as the same are matters of public knowledge.

Under the present system of quoting prices, with the Pittsburgh base as a standard, the members of the association are enabled to readily compare prices quoted by steel producers located in any part of the country.

If the use of a different base price did not materially alter prices quoted, it would obviously be useless to disturb the present custom.

If, in fact, the steel producer in any given locality undertook to base his prices solely on cost of production, giving the customer the benefit of all freight costs from competitive points, it is plain that the result would be to create a local monopoly on behalf of the steel producer in any given locality until the entire product of such local producer had been sold. Thereafter the customer would be obliged to pay higher prices to producers at other points through the addition of freight rates.

It is believed that this would result in absence of competition where only a single producer was located, or in competition restricted to the local competitors in all other districts except Pittsburgh, which is the only district producing a considerable surplus.

The competitor buying his steel products from the Pittsburgh district, after the local limit had been reached, would be at a disadvantage with his competitors, who had bought at lower price from the local producer, while in years of normal demand the Pittsburgh producer, knowing that the local supply was unequal to the local

demand, would be able to await the necessary inquiries from those who had been unable to supply their wants from local sources.

Under such circumstances it is respectfully submitted that ordinary business judgment would lead the surplus local demand to bid up the local supply to approximately the cost of delivery from Pittsburgh, and the element of vexation and uncertainty would have resulted without materially changing the situation.

If such a result did not ensue then conditions of inequality among the different consumers in the same locality would create hardships far greater than the present system, because in most articles into which the rolled-steel products enter contracts must be made long prior to the ultimate completion of the article, and reasonable certainty as to price is quite as important as any slight difference in cost.

As a uniform standard of money in a given market is a prime requisite of successful commerce, so a standard level of prices for steel, resulting from nation-wide competition, is of almost equal importance to industry.

If it were possible, as the application seems to contemplate, to procure producers of steel to sell their products wholly upon the basis of cost, plus some percentage, and with every producer figuring a different cost, or the same producers figuring different costs at different plants, with such uncertain elements of cost as the obsolescence and amortization of very large capital values involved in the installation of modern plants and equipment, and with competition localized as far as such action could localize it, it is respectfully submitted that a system of individual bargaining must spring up which would be contrary to the modern theory of commerce to which the Commission is committed.

Moreover, as glut or deficit more commonly occur in localities than in the entire country, the disadvantageous features of oversupply or overdemand would, in the particular locality, be of more frequent occurrence and of accentuated disadvantage, and local conditions could be met only by return to what is practically the Pittsburgh base; that is, the stabilization of supplies throughout the country by drawing on the locality where production is in excess of demand to make good the deficiency in the localities where the reverse is the case.

The Inland Steel Co. having its plant entirely, and its business mainly, in the western field is not confronted with any problems which might affect a competitor having plants in different districts, but any regulation which would compel the competitor having plants in the same district as the Inland Steel Co., and other plants in other districts, to sell in the district in which it directly com-

peted with the Inland Steel Co. at a price lower than that naturally based upon the laws of supply and demand and market conditions generally would be obviously injurious to the Inland Steel Co. perhaps to a greater degree than to the competitor, which might make up in one district for its loss of profits in another.

The Inland Steel Co. respectfully suggests that trade customs like the practice under consideration, which have grown up in times of keenest competition, are usually based upon some adequate reason and should not lightly be set aside. Moreover, this particular trade custom of basing steel prices upon Pittsburgh was officially approved by the War Industries Board (Official Bulletin, June 24, 1918) and by the President, as evidenced by official announcements made by them.

The Inland Steel Co. has maintained its competitive business under conditions of nation-wide competition. It believes that it can maintain its business if such competition is localized, but it believes that localization of competition would be a disadvantage as against universal competition, which, based on a clearly understood scale of prices, produces a better understanding and relationship between the steel producers and their customers.

Moreover, the results of the present use of Pittsburgh as a basing point are largely exaggerated in the application in so far as that practice affects the great bulk of the western and northwestern territory.

The use of through rates based upon the practice of fabrication in transit and the difference between through rates and the sum of local rates in many parts of the country minimize the freight differential, and in many cases all-water or combined rail-and-water rates as compared with all-rail rates from Chicago to points west leave little margin in the local rate from Pittsburgh to Chicago.

The Inland Steel Co. therefore expresses its conviction that the applicants, as well as steel users generally, would be quite as likely to be harmed as to be helped by the granting of the application, and the Inland Steel Co. believes that the obvious result of forbidding the use of the Pittsburgh base rate would be to introduce a large element of confusion and uncertainty into steel and iron prices which would be especially injurious under the present conditions of economic unrest and uncertainty.

Respectfully submitted.

Inland Steel Co.,
By G. H. Jones,
First Vice President.

Chicago, *August 26, 1919.*

ANSWER OF THE INTERSTATE IRON & STEEL CO.

[Answer of Interstate Iron & Steel Co., one of the respondents to the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.]

To the Federal Trade Commission,
Washington, D. C.:

Interstate Iron & Steel Co., one of the respondents to the above-named application, for answer thereto says:

1. Respondent is the owner of a rolling mill at East Chicago, Ind., of the type known as hand bar mills. At said mill it rolls steel billets into shapes and bars and produces muck bars from pig iron and scrap, and rolls such muck bars into iron bars and shapes, or combines such muck bars with scrap and rolls such product into iron bars and shapes. Respondent produces no other rolled iron or steel products at said mill aforesaid, and produces no rolled iron or steel products elsewhere in the territory referred to and described as the Chicago district in said application for a complaint. The raw material used in such production is in part pig iron and scrap, which respondent purchases in the market and does not produce, sell, or deal in. The other raw materials used in such production are steel billets, which respondent produces in open-hearth furnaces in Chicago, Ill. Such steel billets are likewise produced from pig iron and scrap, which respondent purchases in the market and does not produce, sell, or deal in.

Respondent does not own or operate any blast furnaces and does not own or use any iron ores in the production of iron and steel and is not an integrated steel producer. The raw material used by respondent includes in its cost to respondent a profit to the producer thereof. The other respondents to said application are integrated producers using iron ores as raw material.

2. Respondent denies that the cost of such product as is produced at its said East Chicago, Ind., mill is lower than the cost of similar product produced by the Carnegie plant of the United States Steel Corporation or lower than the cost of similar product produced at other mills in the Pittsburgh district, and, on the contrary, avers and charges the fact to be that the cost of the rolled iron and steel shapes and bars produced at its East Chicago, Ind., mill (to which products its output is limited) is substantially higher than the cost of similar product produced by the Carnegie plant and similar mills in the Pittsburgh district. The products produced by respondent at said East Chicago mill are produced at high cost by high-grade skilled workmen through the use of hand bar mills.

The other respondents to said application and said Carnegie plant of the United States Steel Corporation, and other producers in the Pittsburgh district, operate continuous bar mills.

3. Respondent sells iron and steel shapes and bars produced at its said East Chicago mill in interstate commerce in the territory referred to in the application as the Chicago district, and not in Pittsburgh or the territory tributary thereto, at the best prices obtainable therefor as fixed by the laws of supply and demand and as necessary to meet competition, in good faith, and without discriminations in price between different purchasers.

Respondent admits that in reasonably normal times, when the demand for such products about equals the supply, the prices obtained about equal the Pittsburgh prices plus the freight from Pittsburgh to delivery point; that at other times, when the supply exceeds the demand, prices obtained only slightly exceed the Pittsburgh price. Respondent avers that the producers of such products in the Chicago district are in normal times able to obtain therefor a differential represented by all or part of the freight from Pittsburgh to delivery point in excess of the price obtained for similar products by producers in the Pittsburgh district by reason of the fact that less than one-half of such products as are consumed in the Chicago district, meaning the territory described in the application, is produced therein, and that at least one-half of such products as are consumed in said district is produced and sold by mills situate at Pittsburgh or in territory tributary to Pittsburgh. While it is true that the Chicago producer realizes, net, in normal times, f. o. b. its mill, more than a producer in the Pittsburgh district does upon sales in the Chicago district, the price to the consumer in the Chicago district for products produced in said district is frequently less, and never higher, than the price of similar products produced in the Pittsburgh district and sold in the Chicago district, and the consumer in the latter district, on the whole, is benefited by competition between producers in different districts. Respondent denies that the prices at which such products are sold by it are fixed by concert of action, agreement, or understanding, had either directly or indirectly with any other producer or producers of such products, or that such prices are arbitrary or unreasonable or allow any more than cost plus a reasonable profit, and respondent avers that the prices so obtained are market prices, fixed by competition prevailing in the Chicago district, and will obtain and be based in the same way hereafter by the law of supply and demand so long as the production of such products in said district is substantially less than the consumption thereof.

4. Respondent admits that it considers and uses the Pittsburgh price to arrive at the price to be quoted to its customers, but generelly quotes a price either f. o. b. East Chicago, Ind., or a price f. o. b. the delivery point.

5. Respondent does not quote to all or any agricultural-implement manufacturers or to other consumers or purchasers of such products as it produces at its East Chicago mill a price less by all or a part of the freight from Pittsburgh to the delivery point unless such price is also quoted and made to members of the applicant and other consumers in said Chicago district, and avers and charges the fact to be that it sells to such manufacturers only in a limited way, and when it does sell such product to such manufacturers, it sells at the same price that it does to its other classes of consumers.

6. Respondent further avers and charges the fact to be that it does not produce or sell rails, angle bars, or splice bars to railroad companies, but does sell to railroad companies iron tie plates, which are sold in said Chicago district in competition with steel tie plates produced in the Pittsburgh district as well as in the Chicago district.

7. Respondent further avers and charges the fact to be that when iron and steel products were first produced in the Chicago district all rolled iron and steel products theretofore consumed in said district had been produced by mills situate at Pittsburgh or in territory tributary thereto, and the original Chicago producers were able to obtain in competition with Pittsburgh producers, and did charge and obtain (except during times of depression) for products produced in said Chicago district and sold therein, the same price at which Pittsburgh producers sold such products—that is to say, the Pittsburgh price plus the freight from Pittsburgh to the point of delivery; and that such business practice has ever since continued substantially without interruption to the present time.

8. Respondent established its said rolling mill at East Chicago, Ind., in 1905, knowing its production costs would be materially higher than those of mills in the Pittsburgh district, and believing at the time that such higher costs would to some extent be equalized in competition, in that as a producer of such products in the Chicago district respondent would be able to obtain therefor the Pittsburgh price plus the freight to delivery point until and unless the production of the Chicago district would equal or exceed the consumption. Respondent believes that although the production of the Chicago district has greatly increased in recent years that for many years the consumption of such products will continue to exceed the production thereof.

9. Respondent is advised that if the Commission should take jurisdiction of the application, issue a complaint, and hereafter order a basing price at Chicago that members of the applicant would still pay the equivalent of the Pittsburgh price, plus the freight to point of delivery, as the needs of consumers in said Chicago district can not but in part be provided for by producers therein and must

in large part, for years to come, be provided for by production and sale from mills situate at Pittsburgh or in territory tributary thereto; and if, as a result thereof, prices should be lowered, it would tend to lessen competition and tend to create a monopoly in fully integrated producers in the Chicago district, and would only tend to temporarily reduce the price of such products and only reduce the price on a portion of the amount consumed in the Chicago district. Any such order would tend to curtail, if not stop entirely, the growth of producers not fully integrated and dependent, because of higher costs, on such differential for a profit. Respondent also submits that it would be unreasonable and unfair and beyond the powers of the Commission to require producers in the Chicago district to sell such products at less than the prevailing market prices and at less than the prices which consumers in said district are certain to pay to producers situate in the Pittsburgh district for a large part of their requirements. Respondent is advised that the Federal Trade Commission is without jurisdiction under the provisions of the Clayton Act and the provisions of the Federal Trade Commission act, referred to in the application, to fix the price at which respondents to said application must sell such products, and submits that the allegations set forth in the complaint, even if true as to respondent, which is denied, do not set forth unfair methods of competition within the meaning of section 5 of the Federal Trade Commission Act, and are not discriminations in price between different purchasers of commodities within the meaning of section 2 of the Clayton Act, as the discriminations in price claimed in said application to have been made between different purchasers are claimed therein to have been made between different classes of purchasers and not between different purchasers of the same class in competition with each other, as is contemplated by section 2 of the Clayton Act, and such discriminations in price as are in said application claimed to have been made do not lessen competition or tend to create a monopoly in any line of commerce.

10. Respondent submits that no violation of section 2 of the Clayton Act or of section 5 of the Federal Trade Commission Act is sustainable against respondent in that respondent does not produce or sell its said products in the Pittsburgh district, does not produce or sell pig iron, and does not sell any of the products enumerated in section 10 of the application, either to agricultural implement manufacturers or to railroad companies, or to any other class of consumer, at any price or upon any terms different than it makes to and obtains from consumers in other lines or from members of the applicant. The fact that respondent, having located its mill in a district consuming more of such products than are produced therein, charges therefor and is able to obtain therefor, with-

out agreement, understanding, or concert of action with other producers of iron or steel products, the same price that consumers in said district are required to pay producers situate elsewhere for a large part of their requirements, can not be held to be a violation of any provision of either the Clayton Act or the Federal Trade Commission Act.

Hence, respondent prays for the entry of an order denying the application for a complaint against the respondent and for an order forthwith dismissing it as a respondent to said application.

Dated Chicago, Ill., August 29, 1919.

INTERSTATE IRON AND STEEL COMPANY,
By S. J. LLEWELLYN, *President.*

NEWMAN, POPPENHUSEN, STERN & JOHNSTON,
Attorneys for Respondent,
11 South La Salle Street, Chicago, Ill.

C. H. POPPENHUSEN, *of Counsel.*

STATEMENTS FROM OTHERS THAN APPLICANTS FAVORING APPLICATIONS.

STATEMENT OF SOUTHERN BRIDGE CO.

BIRMINGHAM, ALA., *August 28, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: In reference to the question of base steel prices we wish to enter our protest against the present practice of using Pittsburgh, Pa., as a basing point regardless of the production of steel at a lower or equal costs at other points.

At present we obtain a certain proportion of our rolled-steel shapes, say 60 per cent or greater, from local mills in this district, on which we pay at the rate of Pittsburgh base plus $3 per ton.

In competition with fabricators from the Pittsburgh territory to points north we are thus placed at a disadvantage, for, assuming that our costs of fabrication is the same as fabricators in the Pittsburgh district, we are handicapped in the sum of $3 per ton in bidding on fabricated steel work to points that carry an equal freight rate between this city and Pittsburgh.

We trust that after full investigation action will be taken to place this district on the basis to which it is entitled.

Yours very truly,

SOUTHERN BRIDGE CO.
W. R. STARBUCK,
Secretary and Treasurer.

STATEMENT OF McVOY SHEET & TIN PLATE CO.

CHICAGO, *August 26, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: The American Iron and Steel Institute have forwarded us a copy of your letter of July 26 as regards the Western Association of Rolled Steel Consumers' complaint relative to selling Pittsburgh basing point, etc., and asking us to express our views in the matter.

Assuming that the cost of production is approximately the same at Chicago as at Pittsburgh, we see no reason why western mills should be allowed to charge the difference in freight rate as an additional profit, and if Chicago should be made a basing point the same as at Pittsburgh, if it can be proved that the cost of production in Chicago

territory was materially higher, even to the extent of, say, $1 a ton, then a fixed differential over Pittsburgh would be equitable.

We wish to call particular attention to the fact that a large number of the western mills insist upon selling their material f. o. b. mill if for shipment to other than western points, and plus tariff rate of freight from Pittsburgh if for shipment to western points. In other words, there is no question of equalization regardless of whether shipment goes east or west or north or south. In every case the mills insist upon securing the advantage. On shipments to the Pacific coast, where the freight rates are the same as they are from Pittsburgh, some of the mills have made the same price as the Pittsburgh mills, while others refuse to sell on that basis.

In ordinary times mills located in Chicago district have absorbed the freight from Chicago to Detroit and other southern Michigan points, or sufficient to equalize the Pittsburgh freight rate, whereas if the same material is purchased for shipment to, say, the Missouri River, the contrary is the case. For the sake of concrete example, let us say that the base price on sheets is $4.35 Pittsburgh, and that the freight rate from Pittsburgh to Detroit is 23 cents, making $4.58 Detroit; the Chicago freight rate is 27 cents, making the Chicago price $4.62; the freight rate from Chicago to Detroit is 15 cents; the Chicago mills sell at $4.58 Detroit, netting them $4.43 at the mill, whereas if they shipped the same material to Chicago or Kansas City they net $4.62. The Chicago or western buyers "get the short end of the stick."

Yours very truly,

McVoy Sheet & Tin Plate Co.
E. J. McVoy.

STATEMENT OF BAILEY-BURRUSS MANUFACTURING CO.

Atlanta, Ga., *August 22, 1919.*

Hon. W. J. Harris,
United States Senate, Washington, D. C.

My Dear Mr. Harris: As you are aware, our line is exclusively that of metal products—steel bar, structural steel, pipe, shafting, a very large tonnage of sheet steel, plates, pig iron, coke. This constitutes 99 per cent of our crude products, all of which are made into elevating, conveying, and power transmission for necessary and essential industries, such as cottonseed-oil mills, grain mills, feed-mixing plants for man and beast, sugar mills, rice mills, fertilizer factories, and cement mills, and distributed very largely south.

For some reason during the war period, as you are aware, Pittsburgh, Pa., was made a basing point, in consequence of which all manufacturers at any point located, even though with a very nominal

freight on these products at the door, have to pay the freight from Pittsburgh to Atlanta; that is, in Birmingham, where pig iron, sheet, plate, structural steel, coke, etc., is produced, the freight heretofore was 19 cents. It is now 50 cents—the Pittsburgh freight to Atlanta. With a large tonnage aggregating hundreds of tons of each of the above-named products, you will readily see the great injustice done to us and to all metal-working plants.

We understand that Chicago with a very much lower freight rate from Pittsburgh, although there are a large number of steel mills in Chicago, they add the freight rate from Pittsburgh to Chicago to their price, and that Chicago has this matter up before the Federal Trade Commission. Certainly, Atlanta and all cities adjacent to Birmingham, as, according to the statement of Judge Gary of the United States Steel Corporation last week, that Birmingham can produce iron and steel as cheaply as any producing center in the country, it is manifestly wrong and unjust that the South should be deprived of their rights in this way. If Chicago can make demands where nominal freight of 15 cents or approximately exists, certainly where an actual difference of 31 cents a hundred pounds difference on these commodities exists we are clearly within our rights.

It also further develops, evidently encouraged by this velvet secured, that the mills in Birmingham, on standard tank boiler sheet, stimulated largely by war conditions and for the purpose of securing excess profit, have advanced the tank classification to that of blue annealed, and all steel mills throughout the entire United States have conformed to same, the difference being 25 cents per 100 pounds. This is positively outrageous, and is not justifiable under any conditions, as the eastern and western sections have the privilege and advantage of securing sheets, gauges 10 and heavier, at a price of $3.30 per 100 pounds, whereas all institutions in the South must conform to a price, whether they order what is known as blue annealed or black tank sheet, must pay 25 cents per 100 pounds in excess of $3.55. This is a gross discrimination against the South, as the poor old South has been discriminated against ever since the days of the Civil War, and certainly in this age of advanced civilization some protectory measure should be undertaken to help the South in this as well as many other lines.

We ask that you note this matter very carefully and bring same before the trade commission at once. Thanking you for your attention, we await and remain,

Yours very truly,

Bailey-Burruss Manufacturing Co.,
J. O. Bailey,
President and Treasurer.

And with a southern-born President and Democratic Party, too!

STATEMENT OF CARY SAFE CO.

BUFFALO, N. Y., *August 22, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: As we understand the Western Association of Rolled Steel Consumers have made application for a complaint against the United States Steel Corporation and others in regard to basing point for steel, it is our desire that we be listed as complainant with the association above mentioned against the present method of making Pittsburgh, Pa., the only basing point for steel; and while the application above referred to, we believe, refers to Chicago alone, it is as unjust to Buffalo and all other localities to be obliged to pay freight from Pittsburgh to destination where the shipment originates at the point of delivery.

Your Commission is earnestly requested to adjust this situation by making the basing point for steel the point of shipment as applies on all other commodities.

Yours very truly,

CARY SAFE CO.

STATEMENT OF FULLER & SONS MANUFACTURING CO.

KALAMAZOO, MICH., *August 22, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We notice in a bulletin of the National Association of Manufacturers that an application has been made to your body by the Western Association of Rolled Steel Consumers for the issuance of a complaint against the United States Steel Corporation regarding the making of prices by said corporation f. o. b. Pittsburgh instead of f. o. b. Gary or other shipping points where their products are actually manufactured.

Permit us to say that we consider the complaint an entirely proper one, and we trust that the result will be that this vicious practice will be terminated. We, as well as thousands of other concerns using steel, have been mulcted by this practice, which we consider to be without any possible foundation of justice. No doubt you will be glad to receive the opinions of people affected, consequently we are offering ours.

Yours respectfully,

FULLER & SONS MFG. CO.,
F. D. FULLER, *President.*

STATEMENT OF GIBBES MACHINERY CO.

COLUMBIA, S. C., *August 21, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We understand that you are now giving consideration to the question of having other basing points than Pittsburgh. We feel that it is a great injustice to southern business in general and to southern consumers of steel, etc., in particular to use Pittsburgh as a basis point. We do not see any more reason why this standard should prevail in the steel business than in any other business. Pittsburgh is a steel center, of course, but this is no reason why other points should be discriminated against. We believe that the proper adjustment of the matter would be to eliminate all basing points, but if this system is to be continued, then certainly Birmingham should be made a basis point. The reason for this is so plain and apparent that no further comment from us is necessary.

We urge your consideration of a fair readjustment, whereby the South will receive just treatment in this very important matter.

Yours very truly,

GIBBES MACHINERY CO.,
A. M. GIBBES, *President.*

STATEMENT OF THE NAVY DEPARTMENT.

WASHINGTON, *11 August, 1919.*

To the CHAIRMAN OF THE FEDERAL TRADE COMMISSION,
Washington, D. C.

I have the honor to reply to communication dated July 29, 1919, regarding application of the Western Association of Rolled Steel Consumers for the issuance of a complaint by the Federal Trade Commission against the United States Steel Corporation and others. It appears that the practice of using Pittsburgh as a basing point for steel prices arose purely as a war measure, so far as the Navy is concerned. It was necessary as such, in view of the fact that steel was not purchased during the period of the war, but was allocated by the War Industries Board, that board having in mind, in its allocations, mills where productive capacity was not running full force.

It will be appreciated that in the allocation of material it was necessary that there be a basing point as well as base prices. Otherwise, east coast consumers would have raised an objection to material being allocated to them from western mills and west coast consumers would have objected to such allocations from eastern mills, the objections in both cases being based on the question of freight.

It is understood that prices have been quoted f. o. b. Pittsburgh base during the past 20 years. This was due primarily to the fact that companies having more than one mill do not always know which

mill will roll the material at the time they submit their bid. It is understood that they assign the work to whichever mill is at the time of receiving the business either doing similar work or is in need of work.

In bids recently opened covering steel material most of the bidders submitted their quotations for delivery at Pittsburgh or else named a price for delivery f. o. b. their mill with freight between Pittsburgh and Chicago added. The material in question was for navy yards situated on the western coast. It was noted that the Phoenix Iron Co., with a plant at Phoenixville, Pa., did not bid, it being understood from their representative that the company did not believe that it could absorb the freight between Phoenixville and Pittsburgh.

It is believed that the Bethlehem Steel Co., who submitted quotation f. o. b. Pittsburgh, had the same reason for this action. Both of these concerns being the farthest east must procure their raw material from Pittsburgh and points west, and in absorbing the freight to Pittsburgh were really subjected to double freight charges. It is understood that under the Pittsburgh-base scheme mills that are between Pittsburgh and point of destination charge on their invoices the difference in freight as between Pittsburgh and their mill, while in cases where Pittsburgh is between mill and destination the freight is allowed from mill to Pittsburgh.

The department is of the opinion that the use of the Pittsburgh-base rate ought to have been discontinued when allocation stopped, and it is thought that its survival is probably due to the action of the price-fixing board of the Department of Commerce, which approved a fixed price for steel.

The Navy desires that bidders quote actual mill prices and actual freight charges, and it would be to the best interests of the department if steel mills submitting bids would not use the Pittsburgh rate of freight in their quotations, but would use the actual rates of freight which exist. The tendency of the use of the Pittsburgh freight rate is to make the freight charges of all bidders the same, and so far as freight is concerned results in a combination among those submitting quotations and does not give either real competition or the benefit of lower freight rates in cases of mills located near the navy yards and stations concerned. Under the system proposed the Navy could obviously save by placing the contract at the mill with the shortest rail haul and lowest freight rate to destination.

It is sincerely hoped that this statement of the views of this department will assist the Commission in arriving at a conclusion with regard to the complaint above referred to.

Franklin D. Roosevelt,
Acting Secretary.

STATEMENT OF CARBO STEEL PRODUCTS CO.

CHICAGO, ILL., *July 3, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: With further reference to this question of price fixing by the steel companies. Of course, you know the movement by the Western Rolled Steel Consumers to try to get the price of steel to include Chicago delivery; as it is to-day they are all made f. o. b. Pittsburgh.

It would seem clear that the Iron Age, with their custom that has been established of their printing this information on prices, is a medium of maintaining prices. There are probably some meetings going on from time to time about which you must no doubt have some information and more than we. We simply point to these agreements as standards that are adopted from time to time by various associations all referring to the matter of price.

It must be in the Federal Trade Commission's power to stop this practice.

Yours very truly,

CARBO STEEL PRODUCTS CO.,
C. L. MICHOD, *Manager.*

CHICAGO, ILL., *August 12, 1919.*

FEDERAL TRADE COMMISSION,
Office of the Chairman, Washington, D. C.

GENTLEMEN: Your letter of July 30, subject Application 9–1296, received. We feel that this Pittsburgh "basis" is simply a tool with which to control the prices of steel amongst the steel companies. We rather feel it is not just that the steel companies should have one price for sheet steel and a price below this for a finished product which they manufacture; take, for example, steel fence posts. The American Steel & Wire Co. are selling a 10-pound hot galvanized steel fence post for 37 cents each made out of sheet iron, on which there is considerable work in the form of punching done and shaping of same. The steel for this post is sold to us on the basis of 47 cents for the same amount of steel f. o. b. Pittsburgh. This could not be done and sustained if there were not a combination of some kind in effect to maintain these steel prices, and it works an injury on any smaller manufacturer.

The reason given by the American Steel & Wire Co. for selling finished products under the price at which they sell sheet steel is to the effect they have to do it on account of competition in the post

market. We can hardly see anything fair in this kind of trade or business conditions.

We shall be glad to hear from you as to what your views are in the matter.

Yours very truly,

CARBO STEEL PRODUCTS CO.,
C. L. MICHOD, *Manager.*

STATEMENT OF GREAT WESTERN MANUFACTURING CO.

LAPORTE, IND., *April 4, 1919.*

DEPARTMENT OF COMMERCE AND INDUSTRY,
Washington, D. C.

GENTLEMEN: I am inclosing a copy of a letter I sent the Union Drawn Steel Co. to-day.

I want to go on record as objecting to this method of naming price on material and penalizing the purchaser 30 miles from the source of supply on account of price fixing at Pittsburgh. Will you kindly take it up?

Yours truly,

E. J. LONN, *President.*

LAPORTE, IND., *April 4, 1919.*

UNION DRAWN STEEL CO.,
Chicago, Ill.

GENTLEMEN: We note yours of the 3d, and we are frank to say we can fully understand how material should be or could be sold f. o. b. the plant where they are made, but when you make a price f. o. b. Pittsburgh and then ship from Gary, which is only 30 miles from Laporte, and charge the difference, that is absolutely bad practice and unfair. On the face of it that shows a conclusion of price fixing and prevents any possibility of benefit because of close proximity to a mill for the user of steel a short distance from Pittsburgh. I am opposed to any such practice, and this is one of the things that governmental jurisdiction should promptly stop.

Supposing the same thing was true about coal. Here we have coal within 100 miles of us in the State of Indiana. We could not buy it f. o. b. the mines and pay the regular rate of freight, but would have to be penalized because of some coal in the Pennsylvania district. It would be just as reasonable as your steel situation.

I again repeat I am opposed to any such practice. It is wholly unfair and should not only be opposed but promptly discontinued. Because if it is right in the steel industry it would be just as right in any other industry.

Yours truly,

GREAT WESTERN MANUFACTURING CO.,
E. J. LONN, *President.*

LAPORTE, IND., *August 1, 1919.*

Mr. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Yours of July 30 at hand.

The application blanks that you stated were inclosed were not in your letter. Therefore have not received them.

I believe I covered the situation in my previous letter. It is ridiculous when we are 30 miles away from Gary and 35 miles from Indiana Harbor, and only 50 miles from South Chicago, which is our nearest source of supply, that we are compelled to pay freight from Pittsburgh, which is 400 miles away. It is too contemptible a plan to be even considered or permitted in the United States.

Yours truly,

E. J. LONN, *President.*

STATEMENT OF UNITED STATES RAILROAD ADMINISTRATION.

WASHINGTON, *August 11, 1919.*

MY DEAR MR. FORT: Referring to the letter from your Commission of the 29th ultimo, relative to the complaint of the Western Association of Rolled Steel Consumers, I give you herewith a statement of my views, in response to the suggestion of your Commission.

Attention is called to the present rates of freight per ton on rolled-steel products in carload lots from Pittsburgh, Pa., which is the basing point adopted by the steel industry for determining the price at which such products shall be sold by manufacturers located at all other points of production throughout the country, to a number of such points of production, as follows:

Youngstown, Ohio	$1.50
Buffalo, N. Y	4.30
Harrisburg, Pa	4.60
Coatesville, Pa	4.90
Philadelphia, Pa	4.60
Cleveland, Ohio	3.40
Chicago, Ill	5.40
St. Louis, Mo	6.80
Birmingham, Ala	11.50
Pueblo, Colo.:	
Bars and plates	$19.80
Shapes	22.20
Duluth, Minn	9.90
Knoxville, Tenn	9.80
Richmond, Va	6.10
Albany, N. Y	5.40
Atlanta, Ga	11.80

These rates, expressed in dollars per ton, represent the protection afforded to steel producers located at points other than Pittsburgh by the transportation costs, which under the arrangement complained of are assessed against consumers, irrespective of the actual cost of production; and in cases where the production costs may happen to be no greater or even less than in the Pittsburgh district the consumer, under this method, is arbitrarily obliged to pay this added

amount, although it does not enter into the cost of production or delivery so far as the manufacturer is concerned.

There are doubtless localities where the cost of production is higher than in the Pittsburgh district, and in such cases the manufacturer must base his selling price upon that cost, but it is also possible that the cost of transportation from Pittsburgh to such localities may be greater than the difference in the cost of production, and to that extent the consumer may be arbitrarily made to pay an unreasonable profit to the producer.

So far as the Railroad Administration is concerned, we know, for example, that the cost of producing rolled steel at Gary, in the Chicago district, is somewhat less than it is in the Pittsburgh district. In spite of this, we are compelled to pay $5.40 per ton more for the same article than we would pay if bought from mills in Pittsburgh, and, so far as the producer is concerned, this payment represents an added profit because no commensurate service is rendered. The same thing, of course, applies to all other points of production in varying degree, depending upon the true production costs in the different localities.

A further serious objection to the Pittsburgh base price is that it furnishes a continuing confusing element when considering the reasonableness of steel prices (other than rail, to which the Pittsburgh basis does not apply). When these prices are discussed the discussion proceeds with the Pittsburgh price as a standard, and yet the costs considered are the costs at each plant. The fact is that each plant not situated at Pittsburgh receives on a substantial part (and probably all) of its business not only the Pittsburgh price, which is the sole subject of discussion, but an addition thereto in the shape of a sum added to represent the freight rate from Pittsburgh, so that the sum total received in prices is substantially in excess of the prices which alone are discussed as the prices being received.

Sincerely yours,

WALKER D. HINES.

Hon. JOHN FRANKLIN FORT,
Chairman Federal Trade Commission, Washington, D. C.

STATEMENT OF E. C. ADAMS.

KANSAS CITY, *July 26, 1919.*

Mr. VICTOR MURDOCK, *Washington, D. C.*

DEAR SIR: Noting by the press that your Commission are to have hearings on the question of changing the trade custom of selling steel, may we suggest that you give the whole country, who are interested in the matter, plenty of notice of the time and place of these hearings?

There are at least a hundred other important trade centers who should be given a base price if Chicago is to have one—Kansas City and other river towns, Denver, New Orleans, Norfolk, Boston, Duluth; in fact, all important points who have to compete with Chicago for their trade and business.

Also if the price matter is to be thrown wide open we hope all other commodities that are sold by trade custom at important producing point[s] plus freight will be included—oil, zinc, lead, sugar, coffee, and 40 or 50 other commodities.

Structural steel is not included alone in the steel price, but the whole line of things made out of steel are all sold and have been for 40 years f. o. b. Pittsburgh plus freight, and if there is to be any change, everything of or made out of steel should be included.

We have no quarrel with either Chicago or Pittsburgh, but all large cities and commercial bodies should be given a fair and wide chance to be heard and an opportunity to present their claims for consideration.

Won't you kindly announce through the Associated Press from time to time when and where these hearings are to be and give every one plenty of time to prepare their claims and case?

Your usual fair dealing on this matter will be, I am sure, greatly appreciated by the whole country.

Yours truly,

E. C. Adams.

Starts Inquiry Into Prices of Rolled Steels.—United States Board Acts on Complaint Pittsburgh Basis is Unfair.

Washington, D. C., *July 26.*

The Federal Trade Commission has acted on the complaint of the Western Association of Rolled Steel Consumers that the United States Steel Corporation and other steel producers act in violation of the Federal Trade Commission act and the Clayton Antitrust Act in selling rolled steel on a Pittsburgh basing-point basis.

The commission to-day announced that it has undertaken a thorough investigation of the subject to determine whether a formal complaint should be issued. In its complaint the western association urges that Chicago should be made another basing point in the fixing of steel prices.

MEANS "BIGGEST LAWSUIT."

The action, which is undertaken by the Trade Commission as a friendly suit, has been pronounced by E. H. Gary, chairman of the board of the United States Steel Corporation, as "the biggest lawsuit ever tried in this country."

The application for complaint made by the western association is presented by Attorney John S. Miller, of Chicago, as counsel. It says the membership comprises more than 700 fabricators of steel, operating in Illinois, Indiana, Michigan, Wisconsin, Minnesota, Iowa, Kansas, Missouri, Montana, Nebraska,

Oklahoma, South Dakota, Texas, Utah, Washington, Wyoming, Colorado, and California. All are tributary to what is known as the Chicago district.

These interests say the United States Steel Corporation mill at Gary, Ind., produces steel at a cost substantially lower than at the Carnegie plant of the Steel Corporation at Pittsburgh or at other corporation plants in Pennsylvania. It is added that more than one-fifth of the rolled steel made in the United States is made by the respondent at Gary, Ind.

PRICES CALLED UNREASONABLE.

"The applicant submits that the normal, reasonable price for rolled steel should be measured by cost of production with addition of reasonable profits and without addition of a large and arbitrary increase which forms no part of the production cost and is over and above such reasonable profit," says the complaint of the steel fabricators.

The applicants declare that despite the fact that steel is made more cheaply at Gary, the complainants are compelled to pay a set price plus a freight rate of $5.40 per ton from Pittsburgh to Gary, although in fact the steel actually is not shipped from Pittsburgh at all.

Certain discriminations in price, especially to agricultural implement manufacturers, are charged by the steel consumers. The whole method is alleged to be so repugnant to the Federal Trade Commission law and the Clayton Law that it should be ordered discontinued.

STATEMENT OF J. H. WILLIAMS & CO.

BROOKLYN, N. Y., *August 12, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: The bulletin of the Chamber of Commerce of the United States, under date of August 1, advises the members of that body that the Federal Trade Commission has invited the views of all those interested in the question of basic points for steel prices.

We take pleasure in inclosing herewith letters that we wrote to Hon. William C. Redfield, Secretary of Commerce, under dates of April 25 and June 4, 1919, the second letter being in response to one from the Secretary in which he stated that the matter was not within his department's jurisdiction, but in which he undertook to give us his understanding of the situation from personal discussions with officials of the Federal Trade Commission, the Interstate Commerce Commission, and with his own confidential advisors. While these letters herewith are self-explanatory, we desire to state concisely our viewpoint.

1. The present plan of using universally the Pittsburgh basing point, while possibly necessary for stability in the early days of the industry, is now discriminatory against users of steel located at points distant from Pittsburgh, but near to other steel-producing centers. The abuses of the present system are so obvious and so

familiar that we will not state them unless requested. It seems to us that there are two methods in making this condition more equitable:

(*a*) By recognizing that large steel centers or large market centers are the logical basing points that will be fairest to the greatest number, as, for instance, Chicago, Pittsburgh, Buffalo, New York, and possibly such outlying steel-producing points as Denver, Colo., and Birmingham, Ala. If basing points are desirable, the use of four or six such points would bring all users of steel within a reasonable approximation of equality.

(*b*) To abolish all basing points and have all mills which want to enter a competitive locality sell their steel f. o. b. mill with freight allowed either to destination or to the farthest competitive producing point en route to the customer.

It is obvious, of course, that this second alternative would require that the base price at mill be a shade higher than would prevail under the first alternative, because the customers in the centrally located manufacturing districts would have, indirectly, to absorb the cost of the delivery of the small part of the tonnage produced which may be shipped to distant points.

We offer these as suggestions solely with the desire to be helpful and to see the present abuses eliminated, and would be interested to learn whether these alternatives seem workable to the Federal Trade Commission, and whether there is a reasonable chance that the present conditions may be improved.

Respectfully yours,

J. H. WILLIAMS & Co.
J. HARVEY WILLIAMS,
President.

APRIL 25, 1919.

Hon. WILLIAM C. REDFIELD,
Secretary of Department of Commerce,
Washington, D. C.

MY DEAR MR. SECRETARY: May I trouble you once again to ask if you could tell me the position of the Department of Commerce and perhaps of the Attorney General with respect to a very timeworn and fundamental condition with respect to the sale of steel in this country, namely, the establishment of the base price as at Pittsburgh? I know, of course, that you have been into the steel question very thoroughly of late and that there must be some good reason why the sale of steel all over the country at the Pittsburgh base price is not frowned upon.

The effect of this arrangement is very unequal, for manufacturers in Chicago and Buffalo, for instance, where large steel mills are located, are charged for the theoretical transportation from Pittsburgh on the steel made in their home cities. The steel mills, of course, have done this to allow Pittsburgh mills, for instance, to compete for Chicago business without giving away freight

allowance. Thus a Chicago or Buffalo user of steel is not permitted to derive advantage from the location of steel mills in his city, while at a point like Johnstown, Pa., for instance, where Cambria steel is made, a Johnstown buyer has to pay more for Cambria steel than a Pittsburgh buyer.

You, of course, have been familiar with this for years, but I understand that there is now a considerable agitation for the establishment of Chicago as a base point equal with Pittsburgh, which is, no doubt, warranted, but if this should be permitted Chicago manufacturers could figure their steel at considerably lower rates than could we, located in Buffalo, where also there are important mills.

Would it not be possible for Buffalo and New York, for instance, to be made base points as well as Chicago in case the steel companies are averse to allowing freight rates to their customers to equalize with their competitors, as is done in most industries? If either of these plans were followed, there would be very few districts that would be discriminated against to any appreciable extent. If Chicago and Pittsburgh alone were basic points, concerns in Buffalo and New York, for instance, would have to pay about 22 to 27 cents per 100 pounds, respectively, more than Chicago and Pittsburgh manufacturers, and $\frac{1}{4}$ cent per pound, as you know, is a serious differential in the makeup of an estimate.

There is no use of one individual concern talking to the steel people on this subject, nor could any concern afford to have its name used in that connection, but I thought that you might be interested in this condition and would know how it can be remedied, at least in so far as those in the same town with steel mills are concerned.

Faithfully yours,

——— ———

JUNE 4, 1919.

Hon. WILLIAM C. REDFIELD,
Secretary of Department of Commerce,
Washington, D. C.

MY DEAR MR. SECRETARY: Thank you very much for your thorough explanation of May 29. in the matter of the base price of steel. Of course, the present arrangement simply invites consumers of steel to locate as near as possible to Pittsburgh, but about the only other suggestion that I could make which is not contained in my letter of April 25 would be for steel to be sold just like our tools or other commodities, that is, f. o. b. point of manufacture, with freight allowed to destination within the extreme limits of territory covered by producing mills. The result to the steel mills would be the same as the present because they would all be on an equality as to the price of freight, just as they are to-day, but instead of sharp discrimination between consumers in different localities as to-day, everyone from Colorado to New York would be on the same basis, the price of steel, of course, being advanced somewhat horizontally to meet the average cost of freight per ton. In other words, it would seem fair that there should be either three or four basic steel-producing centers, so that everyone would be reasonably near some center, or else the cost of freight should be evenly divided among everyone.

I suppose there is some reason why this plan, too, could not have been adopted, and I offer it only because either plan would seem fairer as a whole than the present one.

Faithfully yours,

——— ———

STATEMENT OF CHATTANOOGA ROOFING & FOUNDRY CO.

CHATTANOOGA, TENN., *August 5, 1919.*

The FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We note that your Commission invites statements by all interested persons and organizations in the question of selling steel and other products on a basing point, such as Pittsburgh, and we wish to say that this policy discriminates against us, as we think, unfairly.

For instance, we have purchased sheets both in Newport, Ky., and Pittsburgh, and we have to pay the same price in both places, notwithstanding the fact that Newport is some 300 miles closer to us than Pittsburgh, and we enjoy no advantage whatever on account of location. In other words, the freight from Pittsburgh to Cincinnati is added to the freight from Newport to Chattanooga, which works directly to the advantage of the sheet mills in Newport and proportionately against our advantage.

There is no question but that sheets can be manufactured by the Newport Rolling Mill Co. on as low basis as they can be manufactured in Pittsburgh, and what economic law can be called in to force us to pay an additional freight rate which does not inhere in the cost of the goods?

Another way it discriminates against us is the fact that one of our competitors might have his factory located at a point that would take a much lower freight rate from Pittsburgh than Chattanooga takes, and therefore the cost of his goods would be just this much less. When we have a rolling mill within 300 miles of us, why should we pay freight on a basing point that is 600 miles away from us?

We take it that these concrete instances as outlined are what you are seeking for, and we trust that when you are through with the investigation that this question of selling goods on a basing point will be done away with.

Thanking you, we beg to remain,

Yours truly,

CHATTANOOGA ROOFING & FOUNDRY CO.

STATEMENT OF GEMCO MANUFACTURING CO.

MILWAUKEE, WIS., *August 13, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: The Gemco Manufacturing Co., being a user of rolled steel bars and shapes, wishes to enter a protest against the present Pittsburgh basing price of steel products.

It is our understanding that this matter will be investigated and that a hearing will be held by the Federal Trade Commission at an early date and that the Federal Trade Commission desires written statements by interested persons and organizations on this matter.

The Gemco Manufacturing Co. feels that the Pittsburgh base price being eliminated we would be able to buy our steel requirements either right here in Milwaukee or from Chicago, and in this way save the Pittsburgh-Milwaukee freight.

The Gemco Manufacturing Co. will greatly appreciate further advice on the results of the hearing and investigations to be conducted by the Federal Trade Commission, particularly in statements regarding the advantage of a Pittsburgh basing point.

Trusting that the Commission will consider this protest in its deliberations, we are, gentlemen,

Very sincerely yours,

GEMCO MANUFACTURING CO.,
H. B. IBSEN,
Purchasing Agent.

STATEMENT OF BRUNSWICK MARINE CONSTRUCTION CORPORATION.

BRUNSWICK, GA., *September 2, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: We are obliged to you for your letter of the 25th ultimo, file No. 9–1296, inclosing copy of the application which you have received from the Western Association of Rolled Steel Consumers for the issuance of a complaint by the Federal Trade Commission against the United States Steel Corporation and others which will stop the practice of selling rolled steel on the basis of Pittsburgh freight rates.

We heartily indorse the complaint of the Western Association of Rolled Steel Consumers.

We use a large quantity of steel, both for general manufacturing purposes and for steel shipbuilding. In competition with concerns located in eastern territory for the sale of manufactured articles, you can readily see that they can sell in our territory at a lower price than we can sell in theirs, because, while we receive our steel from Birmingham, from which point the freight rate to Brunswick is only 25 cents per 100 pounds, we pay the rate from Pittsburgh, which is 59 cents, whereas the northern and eastern manufacturer, who actually receives his steel from the Pittsburgh district, pays only the actual freight rate from that point.

The same situation exists in connection with steel shipbuilding. Our steel plates come direct from Birmingham, from which point the freight rate of 25 cents to Brunswick is practically the same as the rate from Pittsburgh to shipbuilding points on the Delaware River. Yet, instead of paying the actual rate, we are charged 59 cents per 100 pounds, on the theoretical Pittsburgh basis, or more than twice the freight rate that our northern competitors pay.

After looking into the situation, the Federal Trade Commission will see that the present condition is unjust to the South as a whole, and we hope will have such measures adopted as will render it unnecessary for the southern rolled-steel consumer to pay more than the actual freight rate from point of shipment.

Yours truly,

Brunswick Marine Construction Corporation,
C. W. Irwin, *General Manager.*

STATEMENT OF TOMLIN-HARRIS MACHINE CO.

Cordele, Ga., *August 30, 1919.*

Federal Trade Commission, *Washington.*

Gentlemen: The application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others, copy of which you sent us, should in our opinion be granted to the Chicago district and territory tributary thereto, and not only should this be done, but the Birmingham district and territory tributary thereto should be included, for, as we understand it, Judge Gary and Mr. Schwab, of the United States Steel Corporation, have stated that steel could be produced as cheaply or cheaper in the Birmingham district than in any other place in the United States, and this being true, it is unduly prejudicial to the western and southern consumers of steel articles to pay a price for these articles based on the Pittsburgh price plus freight from Pittsburgh to destination, while the freight from Birmingham to destination might be and in all instances in the South are considerably lower.

Yours very truly,

Tomlin-Harris Machine Co.,
R. R. Harris, *President.*

STATEMENT OF SALEM IRON WORKS.

Winston-Salem, N. C., *September 1, 1919.*

The Federal Trade Commission, *Washington, D. C.*

Gentlemen: As you know, all producers of steel use a uniform basis in making sales. Everything is based on Pittsburgh prices

and freight rate. This is an unfair method to the business interest of the country.

Judge Gary, of the United States Steel Corporation, in his statement before your Commission, admitted that Birmingham could produce iron and steel as cheap as any place in the country; in fact, we believe it is a well-known and established fact that steel can be produced cheaper in Birmingham than in Pittsburgh or any other place in the country. That being the case, territory located so that it would naturally buy from Birmingham is forced to pay the same prices as they would pay if buying from Pittsburgh.

Now, if each zone in which steel is produced would make its own prices, would tend to build up each section, and would stimulate competition in business, and which will be impossible at present, there really is no competition in prices for the system itself completely stifles competition. Furthermore, the consumers of the country suffer because they have to pay in the end fictitious Pittsburgh freight rates, and this is true in buying almost any agricultural implements. It is therefore unfair and unjust, and we wish to enter our protest most vigorously against any such unfair and sectional system.

If this system were applied to all other interests you can readily see what would be the effect on the country. In fact, there is too much of it now, and has a good deal to do, in our opinion, with the present high cost of everything.

Yours truly,

Salem Iron Works.

STATEMENT OF LOMBARD IRON WORKS & SUPPLY CO.

Augusta, Ga., *August 28, 1919.*

The Federal Trade Commission,
Washington, D. C.

Gentlemen: We are very much interested in the effort being made to have Birmingham made a basing point for iron and steel articles the same as Pittsburgh. We understand that Birmingham is in position to manufacture steel as cheaply as Pittsburgh. Therefore we do not see why southern industries should not be able to buy steel products on Birmingham basis. We do not understand why southern industries should not be placed on the same basis as their northern and eastern competitors. We hope that the effort being made for Birmingham to be made a basing point will meet with your favorable recommendation.

Yours truly,

J. G. Belding,
Secretary.

STATEMENT OF RIDDELL BROS. (INC.).

ATLANTA, GA., *August 30, 1919.*

The FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We have been aware that application was made to your Commisison for a hearing of southern steel users with a view of having action to change the present basis so as to eliminate the injustice which is done southern users of steel by the present method, but have not as yet written you regarding it as we considered that the injustice of the present basis was so obvious that it would not be necessary to burden your files with letters advocating the change.

However, as it is apparent that those of us who are in favor of the change petitioned for should make our desires known, we take occasion to ask that our name be added to those who desire that a change should be made so that Birmingham be made a basing point as well as Chicago.

We trust that the matter will appeal to your honorable body as being absolutely necessary and that favorable action will be forthcoming.

Very truly yours,

RIDDELL BROS. (INC.),
Per C. F. RIDDELL,
Secretary.

STATEMENT OF OSCAR DANIELS CO.

TAMPA, FLA., *August 29, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We desire to call your attention to the manner in which southern shipbuilders are being discriminated against in the matter of prices on steel owing to the fact that the freight differential between Pittsburgh and Birmingham, or a portion of it, is added to the Pittsburgh base price for all steel emanating from the Birmingham district.

We at the present time have a contract with the Shipping Board for 10 steel ships for which over 30,000 tons of steel were required. In billing all steel rolled in the Birmingham district the freight differential between Pittsburgh and Birmingham was added to the base price. This amounted to between $6 and $6.50 per ton on about 15,000 tons of material which was rolled in the Birmingham district.

You can readily see that in competition with shipyards in the eastern district the southern shipbuilder would be handicapped to the extent of this differential.

We have recently had occasion to get some quotations on steel both from Birmingham district and Pittsburgh district. The quotations from the Birmingham district on beams were $3 a ton lower f. o. b. Tampa than the Pittsburgh quotation, on plates $3.30 per ton, on bars $3.50 a ton lower. The freight differential between these two places is $6 a ton on shapes and $6.36 on plates, exclusive of war tax. It is therefore evident that the price of steel on the basis of these prices is about $3 higher f. o. b. Birmingham than f. o. b. Pittsburgh, and therefore adds this amount to the cost of building ships in the southern district.

The establishment of a base price for steel emanating in the Birmingham district same as that emanating from the Pittsburgh district would place the southern shipbuilders on the equal competitive footing with the shipbuilders in the eastern district, and the establishment of such a base rate would work no hardship upon the steel manufacturers, as the cost of steel fabrication in the Birmingham district is lower that that in the Pittsburgh district.

Very truly yours,

Oscar Daniels Co.,
By Charles L. Ortenfeldt,
Chief Engineer.

STATEMENT OF ATHENS FOUNDRY & MACHINE WORKS.

Athens, Ga., *August 30, 1919.*

To the Federal Trade Commission,
Washington, D. C.

Gentlemen: In reading the application of the Western Association of Rolled Steel Consumers for complaint against the United States Steel Corporation and others we feel that a great injustice is being done the manufacturers of the South in that we have to base our prices on Pittsburgh, Pa., instead of some southern point, whereas if the South could have a basing point, say at Birmingham, Ala., and the West at Chicago, we would save $6.20 per ton, which would then allow us to compete with eastern manufacturers not only in our own city, but would allow us to reach out into other fields.

As it now stands, with Pittsburgh as a basing point, we can not compete with the eastern manufacturers in our own city, all due solely to the difference in base price, which is based on Pittsburgh, Pa., at a difference of freight rate of $6.20 per ton.

We, being a small concern, would use only about 100 tons per year, but the difference between being based on Birmingham, Ala., and based on Pittsburgh freight rates would be enough to pay 5 per cent on our capital.

We feel that your Commission should grant the application and should establish at least three basing points for rolled steel, say one at Pittsburgh for the East and North, one at Chicago for the West and North, and one at Birmingham for the South and West.

Thanking you for considering, we are,

Yours truly,

ATHENS FOUNDRY & MACHINE WORKS,
By O. H. ARNOLD, Jr.,
President and General Manager.

STATEMENT OF THE WAR DEPARTMENT.

PURCHASE, STORAGE, AND TRAFFIC DIVISION,
Washington, September 3, 1919.

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Your communication of July 29 addressed to the honorable Secretary of War in regard to an application received from the Western Association of Rolled Steel Consumers relative to the practice of selling rolled steel on a Pittsburgh basing-point basis has been referred to me for reply.

You are advised that the War Department disapproves of any procedure in the purchase of commodities which to the normal and reasonable price of the commodity adds an item of expense forming no part of the cost of production and is over and above a reasonable profit on the cost of production, such increase being added for the purpose of equalizing prices in various territories. The War Department, whenever practicable to do so, will buy its steel f. o. b. factory or f. o. b. destination, and desires that the general principle of the War Department business procedure be recognized in any conclusion you may come to in regard to the determination of basing points.

Respectfully,

GEO. W. BURR,
Major General, Assistant Chief of Staff,
Director of Purchase, Storage, and
Traffic Division, General Staff.

STATEMENT OF SOUTHERN IRON & EQUIPMENT CO.

ATLANTA, GA., *September 2, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: We are pleased to note the action being taken by various associations protesting against the practice of basing all rolled steel products on Pittsburgh freight rates. This is a practice of discrimination of long standing and one that has tended to keep the

South out of its proper place in the manufacturing world. We are now paying for steel products at a price based on a 59-cent rate carload from Pittsburgh, and for less than carload 74 cents, whereas the actual freight from Birmingham is only 19 cents carload and 25 cents less than carload.

In other words, we are being penalized something like $9,000 or $10,000 a year because we do not live near Pittsburgh. It is a known fact, however, substantiated, I believe, by reports made by the Steel Corporation, that iron and steel products can be made much cheaper at Birmingham than they can in the eastern district. It is manifestly unfair, therefore, that the South should suffer from these unreasonable prices.

Yours very truly,

SOUTHERN IRON & EQUIPMENT CO.,
By A. J. MERRILL.

STATEMENT OF J. S. SCHOFIELD'S SONS CO.

MACON, GA., *September 2, 1919.*

Mr. W. E. DUNN, Jr.,
Secretary Southern Metal Trades Association,
Candler Building, Atlanta, Ga.

DEAR SIR: Within the past few days our company has received considerable literature on the subject of "Pittsburgh basing prices."

A most pernicious and inflicting injustice imposed on all buyers of steel and iron products from whatever quarter has been this arbitrary method of pricing by the steel companies of their manufactured articles to the southern buyer.

We have often made contention for a changed condition and as well have frequently conferred with others in our line of manufacture to exert concerted effort to relieve us from this burden, but to no avail has been our plea.

The many thousands of toll southern manufacturers have paid in the years gone by in the purchase of such goods is well-nigh incalculable. Where Birmingham and Knoxville and Richmond and Anniston and Sheffield and Bessemer are so near us, what sane excuse is there for our having to pay a rate of freight from Pittsburgh?

Without a comprehensive and careful tabulation of our own tonnage bought within the last few years, we may safely state that this excess we have paid on at least 1,500 to 2,000 tons yearly average. Combine the aggregate of all southern purchasers and see the unjustice premium which has been exacted.

An immediate demand from high authority should at once destroy this vicious tax and such profiteering be made to cease instantly.

Yours truly,

J. S. SCHOFIELD'S SONS CO.,
A. D. SCHOFIELD.

STATEMENT CAROLINA WHOLESALE HARDWARE CO.

COLUMBIA, S. C., *September 3, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We wish to call your attention to the custom of the Pittsburgh base price being quoted on all rolled steel, rails, etc.

This practice practically avoids the natural territorial advantages in manufacture at other producing points throughout the country, and forces the jobber and consumer adjacent to other manufacturing points to pay the higher by paying on the customary Pittsburgh bases.

We wish to earnestly protest against this practice and wish very earnestly that your body will promulgate such rules and regulations as will cause the abolition of this Pittsburgh plus price custom.

Thanking you in advance for your consideration of this matter, we are,

Yours very truly,

CAROLINA WHOLESALE HARDWARE CO.,
Per E. G. JONES.

STATEMENT OF THE JOHNSON IRON WORKS (LTD.).

NEW ORLEANS, LA., *September 2, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: In acknowledging receipt of your letter dated August 25, with which you inclosed copy of Rolled Steel Consumers application for a complaint against the United States Steel Corporation and others, and which application is addressed to the Federal Trade Commission, regret to state that our experience and knowledge of this matter prevents our making any suggestions that we might consider competent.

We would like, however, to cite one instance in our very recent experience which appeared to us to be a rather arbitrary and unreasonable procedure because of prior experiences in shipments to us having been on a different basis.

In March, 1918, we obtained contract No. 198–SC. with the Emergency Fleet Corporation for the construction of six steel hull harbor tugboats.

This contract provided that the Emergency Fleet Corporation should allocate our order for steel with the mills that they might choose, and that the cost of the steel and the freight would be deducted from the lump amount which they owed us on the entire contract.

We requested them to place our order preferably with the Tennessee Coal, Iron & Railroad Co. because it was located at Birming-

ham, Ala., and from which point we, therefore, concluded our freight charge would be less than were the order placed with any other mill.

They placed the larger portion of our order with the Tennessee Coal, Iron & Railroad Co., Birmingham, Ala., but the freight rate that they charged us was 22 cents per 100 pounds, whereas the freight rate from Birmingham, Ala., to New Orleans, La., is 16½ cents per 100 pounds, and the freight rate from Pittsburgh to New Orleans, La., is 38½ cents per 100 pounds.

It therefore occurs to us, because of our own interest in the matter, that there should be no arbitrary rate base and that rate in all cases should be from the point of actual shipment to destination.

Very truly yours,

THE JOHNSON IRON WORKS (LTD.),
WARREN JOHNSON, *Manager*.

STATEMENT OF VALK & MURDOCH CO.

CHARLESTON, S. C., *September 2, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

DEAR SIRS: We are writing to call your attention to the discrimination against southern manufacturers by basing steel prices on Pittsburgh rate, soliciting your aid and investigation.

We feel that we are greatly handicapped in this matter and that this rate should be abolished, allowing us to pay established rates from shipping point only. The present rate allows eastern manufacturers to underbid us, particularly in near-by markets. In other words, a bidder near Pittsburgh can sell in our territory, while we are excluded.

Soliciting your kind consideration, we are,

Very truly yours,

VALK & MURDOCH CO.

STATEMENT OF BIRMINGHAM STEEL CORPORATION.

BIRMINGHAM, ALA., *September 4, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: In common with all consumers of steel outside of Pittsburgh, Pa., we are extremely desirous of seeing the iniquitous "Pittsburgh-plus" system of fixing steel prices abolished. The need for and the desirability of the "Pittsburgh-plus" system no longer exists, but apparently the practice, which has now become unfair and discriminatory, will not be voluntarily abandoned by the mills.

Our plant is one of the largest steel fabricating plants in the country and is located in the cheapest iron-producing center in the United States, but we are finding our size to be only a handicap and our location to be of practically no advantage, because of unfavorable freight rates, inability to get "fabrication-in-transit" privileges, and the "Pittsburgh-plus" system of establishing steel prices.

Without dwelling at this time on the first two mentioned disadvantages, although their removal is even more vital to us than the last, since they narrowly limit the section in which we can successfully compete, we want to point out the actual cost to the public and to ourselves entailed by the "Pittsburgh-plus" system.

Having been in operation but a few months, and during that time engaged entirely in ship work, we are unable to turn to our books for the actual figures involved, but we have carefully compiled the following estimate, based on our annual capacity of 40,000 tons.

On 15,000 tons from local mills (only Pittsburgh base plus 15 cents per hundredweight is charged locally instead of full Pittsburgh plus"), at $3 per ton	$45,000
On 10,000 tons from local warehouses (full freight of 57½ cents per hundredweight is added, together with usual warehousing charge), at $11.50 per ton	115,000
10,000 tons from Chicago and Cleveland warehouses (an average of 15 cents per hundredweight being added in addition to warehousing charges), at $3 per ton	30,000
5,000 tons from Chicago, Cleveland, and other mills (an average saving in freight of 5 cents per hundredweight), at $1 per ton	5,000
Total	$195,000

This figure of $195,000 represents practically exclusively a tax on the consumer, which would be saved to him if the "Pittsburgh plus" system were abolished. This saving to the consumer would be almost entirely at the expense of the mills, it is true, but the mills would seem to have no right, in fairness, to retain a saving in freight to which the consumer is entitled.

At the present time particularly, when all building materials are so high as to discourage needed building, the abandonment of the "Pittsburgh plus" system seems to be a step forward in restoring normal conditions and lowering the "high cost of living."

Putting Birmingham on a parity with Pittsburgh as a basing point would, of course, extend by several hundred miles in nearly all directions the section in which we can compete, particularly in the Southwest, where the freight rates from Pittsburgh are no higher than the rates from Birmingham. This should enable this company to take on a larger volume of business and to operate its plant at a reasonable profit.

Yours very truly,

M. Arnold, *Purchasing Agent.*

STATEMENT OF MONTGOMERY COAL WASHING & MANUFACTURING CO. (INC.).

BIRMINGHAM, ALA., *September 8, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We regret very much that it becomes necessary for the manufacturers of steel products of the Birmingham district to protest against the discrimination in favor of the eastern market, especially in the fixing of prices of steel.

It has for years been the custom of our steel producers in this district to take the Pittsburgh prices f. o. b. Birmingham as a basis for their prices of steel, notwithstanding the fact that steel can be produced in the Birmingham district approximately 30 per cent cheaper than in the Pittsburgh district.

We would like to ask what good reason can be given why we should not buy our Alabama products at the same price as that quoted in Pittsburgh without the freight being added, or any portion thereof.

Yours very truly,
MONTGOMERY COAL WASHING & MANUFACTURING CO.,
JAS. A. MONTGOMERY, *President.*

STATEMENT OF WHITE HICKORY WAGON MANUFACTURING CO.

ATLANTA, GA., *September 9, 1919.*

HON. VICTOR MURDOCK,
Acting Chairman, Federal Trade Commission,
Washington, D. C.

DEAR SIR: We learn from the newspapers that the Western Association of Rolled Steel Consumers has filed a complaint with the Federal Trade Commission against the United States Steel Corporation and others in an effort to stop the practice of selling rolled steel on the basis of Pittsburgh freight rates.

We wish to indorse this complaint of the Western Association of Rolled Steel Consumers, and to urge the correction of this injustice to consumers of this product not only in the West but also those in the Southeast.

We use a large quantity of both steel and iron bars in the manufacture of our product, and although our entire supply comes from Birmingham, where the freight to our factory is only 19 cents per hundred, we are taxed with the freight from Pittsburgh, which is about 52 cents per hundred. Our northern and western competitors buying their steel and iron from Pittsburgh, or mills closer to them, are not subjected to this unjust tax.

In the history of this country we question whether there was ever a more corrupt or unjust method of business practice, and a few years ago for the same offense the Government was threatening to send such people to the penitentiary.

We hope that your honorable Board will see the injustice of such practice on the part of the steel manufacturers, and correct it if it lies within your power to do so.

Very truly,

White Hickory Wagon Manufacturing Co.,
Per B. M. Blount, *President.*

STATEMENT OF PERFECTION MATTRESS & SPRING CO.

Birmingham, Ala., *September 9, 1919.*

Federal Trade Commission,
Washington, D. C.

Sirs: This corporation along with hundreds of other manufacturing concerns in the Birmingham district have so long labored under trade disadvantages of the Pittsburgh plus plan of price fixing that it is now protesting against this unjust discrimination.

The manufacturers in the Birmingham and southern district are not securing the advantages that we should have by reason of our proximity to raw materials. We are large consumers of wire, steel, and iron, using hundreds of tons a year, and by reason of this unreasonable inequality our loss runs into the thousands of dollars yearly.

Agencies representing us are making this protest, and this letter is sent with the hope that it will help you come to the conclusion that we are unjustly discriminated against, and that when you know the real facts you will not fail to give us the relief asked for.

Respectfully yours,

Perfection Mattress & Spring Co.,
F. M. Jackson, *President.*

STATEMENT OF STEWARD-HILTY MACHINE CO.

Birmingham, Ala., *September 20, 1919.*

Federal Trade Commission,
Washington, D. C.

Gentlemen: We indorse the application of the Birmingham Civic Association for a complaint against the "Pittsburgh plus" method of price fixing on steel manufactured and sold in this district.

Yours very truly,

Steward-Hilty Machine Co.,
Per Chas. R. Hilty,
Secretary and Treasurer.

STATEMENT OF CRESCENT BED CO. (LTD.)

New Orleans, *September 18, 1919.*

The Federal Trade Commission,
Washington, D. C.

Dear Sirs: The Birmingham Civic Association has petitioned to your Commission for relief in the methods of the several steel corporations of using what is termed the "Pittsburgh plus freight rates."

We heartily agree with the Birmingham Civil Association that it is an unfair practice for the steel companies to charge us, as a consumer of steel, a profit on freight, a commodity in which they have no financial interest.

We feel that if they are willing to sell their product to a large percentage of their consumers at their advertised published price, there is no reason for them to ask us, who are located near their shipping point, an additional profit, especially as we understand that they are able to produce their materials cheaper in the Birmingham district than they are in the Pittsburgh district.

We are quite a consumer of steel, and we trust that you will give the application of the Birmingham Civic Association due consideration and order the necessary relief.

Yours truly,

Crescent Bed Co. (Ltd.),
P. Jung, Jr., *Secretary.*

STATEMENT OF JOHNSON CITY FOUNDRY & MACHINE CO. (INC.).

Johnson City, Tenn., *September 16, 1919.*

Federal Trade Commission,
Washington, D. C.

Gentlemen: We wish to express ourselves as strongly against the present basing prices of steel on the Pittsburgh basis as against Birmingham basis. We are small consumers of steel and are pretty near the central point between Birmingham and Pittsburgh. However, our losses under the Pittsburgh basis are approximately $500 per year.

We wish to express ourselves as being strongly in favor of the Birmingham basing of prices for the South and West, and sincerely hope that you may at the proper time see your way clear to relieve us of this injustice which we have endured for past years.

Yours very truly,

Johnson City Foundry & Machine Co.,
G. W. Setzer, *President.*

STATEMENT OF THE CASEY-HEDGES CO. (INC.).

CHATTANOOGA, TENN., *September 16, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: In your letter of July 26, 1919, addressed to the American Iron and Steel Institute, statement is made that question raised by the Western Association of Rolled Steel Consumers as to propriety of permitting Pittsburgh to be the sole basing point suggests that points other than Chicago and Pittsburgh may be entitled to consideration. Therefore our proximity to Birmingham impels us to action in an endeavor to present incidentally the just claims of our immediate section—perhaps the entire South—at least in particular our individual interest in the controversy.

The present method of considering Pittsburgh the exclusive basing point permits Birmingham to arbitrarily charge us, in addition to the Pittsburgh price, freight to equal rate from Pittsburgh to Chattanooga. Consequently we are handicapped in increasing degree as we attempt to secure a share of business in the direction of Pittsburgh territory. As a matter of fact must, figuratively speaking, turn our back to Pittsburgh and seek trade only to the South and Southwest, without any advantage whatsoever that geographic location entitles us to; but instead, unnaturally burdened with an artificial freight charge, permitting those industries between Pittsburgh and Chattanooga to start out equal with ourselves on a forced level of materials cost. Birmingham, being an important producing center, should be given the privileges that go with its natural endowment. If we are not misinformed, the Birmingham district has closer connection with its supplies of ores and fuels than the other centers of steel production. Birmingham should be unrestricted within a territorial radius on an equal basis with Pittsburgh and other steel centers instead of being compelled to supply the country only in the direction leading away from Pittsburgh.

The bigger steel interest has what virtually amounts to a monopoly in the Birmingham district and may not be expected to be quite so jealous of its advantageous location to favor the South as would be looked for from strictly local investment. Therefore the southern consuming public must assert its birthright to benefit from the natural bounty, and not be indirectly paying tribute to what would be unfairly favored sections of our country. The big interest's coffers are kept in the East.

So long as our Government influences the basic price of steel, it must equitably recognize the various important producing points as points of self-determination, entitling them to establish the same base

price protecting trade in all the advantages of contiguity so far as transportation charges are encountered. In asking this the South requests but its due—that it not be discriminated against; that unfair conditions be rectified; and it only asks for a square deal, and not be disheartened in its strides to become an industrial as well as agricultural South.

The enervating climate is a natural obstacle our labor has successfully combated in the strenuous pursuits of the mill. Our plantation Negro has earned a place in our industrial life, and there are many communities of contented Negro artisans to which the South may point with pride—a solution of the Negro problem in its natural environment. But this satisfactory condition may not continue if the South must be taxed in the guise of freight charges on its own natural resources of ores and fuels and be forced to give way in an unequal struggle to make and consume its own machinery. No; there is absolutely no justification for this return to bondage that favoritism to Pittsburgh would bring about.

We ask no favors, but do expect a chance for existence in a fair field, and we will then see the future refute the idea that toil is unknown south of the Mason and Dixon line, or that the country is to be eventually other than one ethnic group, powerful in its singleness of purpose. Our common destiny demands that the South be encouraged in its industrial efforts, the only way sectionalism may become tempered.

Yours respectfully,

The Casey-Hedges Co.,
Wm. W. Gfroerer,
Auditor.

STATEMENT OF HENDERSON SHIPBUILDING CO. (INC.).

Mobile, Ala., *September 13, 1919.*

Federal Trade Commission,
Washington, D. C.

Gentlemen: We respectfully urge that Birmingham, Ala., be made a basing point for all forms of steel, which will give as low prices as are made at Pittsburgh.

Under the arrangement now existing we have to pay approximately $3.60 per ton more for all forms of steel than we would were Birmingham made a basing point like Pittsburgh.

We feel that this discrimination is unfair and we hope that you will eliminate it.

Yours truly,

Henderson Shipbuilding Co. (Inc.),
W. L. Whiting, *Secretary.*

STATEMENT OF A. M. LOCKETT & CO. (LTD.).

New Orleans, *September 26, 1919.*

Federal Trade Commission,
Washington, D. C.

Gentlemen: We understand that in the near future your commission will meet to consider the advisability of the continuance or discontinuance of a single base on iron and steel prices at Pittsburgh, Pa.

This arbitrary basing discount point is entirely unfair and has no economical foundation, and we wish to protest vigorously against the continuance of the single basing discount point.

Birmingham, Ala., which lies only 300 miles from New Orleans, is in position to manufacture iron and steel products at a lower price than mills in the Pittsburgh district, and we sincerely trust that your commission will see fit to order that Birmingham be made a base discount point, on at least as low a base as the city of Pittsburgh.

Our concern, as well as all other users of rolled steel products in this territory, has been paying tribute to manufacturers in an elaborate freight differential all too long, and it is hoped that if it is in the power of the Federal Trade Commission so to do, that they will put an end to this unjust and unfair discrimination against this section of the country.

Yours, very truly,

A. M. Lockett & Co. (Ltd.)
R. P. Lockett,
Assistant Sales Manager.

STATEMENT OF THE TAMPA SHIPBUILDING & ENGINEERING CO.

Tampa, Fla., *September 22, 1919.*

Federal Trade Commission,
Washington, D. C.

Gentlemen: We wish to call your attention to the conditions under which we labor here in the South.

Our factory is located in Tampa. In case we require material we order it either from Pittsburgh or Birmingham because the price is the same, and it does not make any difference if this material is hauled from Birmingham, or from Pittsburgh to Tampa.

This condition, known as the "Pittsburgh plus" has been created by the Steel Corporation. All subsidiaries of this corporation are compelled to sell their products at the Pittsburgh base price, plus freight from Pittsburgh to Birmingham, and this ruling of the Steel Corporation is inconsistent with the Clayton Act.

In 1917 we bought about 5,000 tons of steel. The freight from Pittsburgh to Birmingham is $12.65 per ton, and we paid therefore $63,300 too much, not considering that the Birmingham Mills can produce steel about 26 per cent cheaper than Pittsburgh. Furthermore, this condition not only prevents us from competing with the North, but enables the northern fabricators to sell to our home industries.

Trusting this letter will be of interest to you, we beg to remain,

Yours very truly,

TAMPA SHIPBUILDING & ENGINEERING CO.,
By H. I. STOFFELS, *Engineer.*

STATEMENT OF THE UNION COTTON WAREHOUSE ORGANIZATION CORPORATION OF DELAWARE.

BOSTON, MASS., *September 24, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: As the Union Cotton Warehouse Corporation contemplates the construction of a chain of cotton warehouses at southern points, involving the use of considerable steel tonnage, we are very much interested in the question of steel prices which you are about to investigate. According to our information, it will be immaterial to us whether we order our steel requirements from the Pittsburgh or Birmingham mills as, by reason of the single base at Pittsburgh, prices delivered at any destination are the same as from other producing points.

We have estimated that, if we could get prices at the Birmingham mills equal to the Pittsburgh mill prices, we would effect a saving of between $300,000 and $500,000 on the basis of an ultimate aggregate capacity of 2,400,000 bales for our warehouses. Engineers estimate that 28,800,000 square feet of floor space would be involved, and that on the average 7 pounds of steel bars to the square foot of building space would be necessary. Thus, with an average discrimination in steel prices of $3 per ton, the tribute we would pay to the single-base system would not be less than $300,000.

Our understanding is that steel production at Birmingham costs less than at Pittsburgh, and, if so, we see no reason why, if open competition existed, southern consumers of steel should not be entitled to the prices related to their distance from Birmingham, instead of arbitrarily being subjected to the penalty of the fictitious freight rate from Pittsburgh.

Yours very truly,

RUFUS R. WILSON,
President.

Resolution Unanimously Adopted at the Annual Meeting of the Farmers' Educational and Cooperative Union of America, Alabama Division, Held at Birmingham, September, 1919.

Resolved, That the Alabama division of the Farmers' Educational and Cooperative Union of America in convention this day assembled does hereby protest to the Federal Trade Commission and the Congress of the United States against the discrimination practiced by the steel interests of America in maintaining the Pittsburgh single-base system of making steel prices, as the result of which the farmers of Alabama are compelled to pay an unjustifiable, excessive price for their wire fencing, nails, concrete bars, cotton ties, plows, and every article which they use in farm operations and which contains steel. This organization hereby urges the Federal Trade Commission and the Congress of the United States to do all in their power to remove this arbitrary discrimination against their members and in favor of farmers who may be situated in territory tributary to Pittsburgh, and notwithstanding that steel is manufactured in the Birmingham district in the heart of the agricultural South at a materially less cost than at Pittsburgh.

Resolved further, That a certified copy of these resolutions be sent to the Federal Trade Commission at Washington.

I, O. P. Ford, secretary-treasurer of the Farmers' Educational and Cooperative Union of America, Alabama division, hereby certify that the foregoing is a true and correct copy of a certain resolution adopted by said Union at its convention held in Birmingham, Ala., on the 19th day of September, 1919.

O. P. Ford,
Secretary-Treasurer.

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STATEMENTS FROM OTHERS THAN RESPONDENTS OPPOSING APPLICATIONS.

STATEMENT OF N. & G. TAYLOR CO.

PHILADELPHIA, *August 11, 1919.*

Mr. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Referring to the application that has been filed with you from the Western Association of Rolled Steel Consumers for the issuance of a complaint by your Commission against the United States Steel Corporation and other steel producers regarding the practice of selling steel on a Pittsburgh basing-point basis, we wish to go on record as being in favor of the present practice and opposed to any change from the method that has been in vogue for many years past of using Pittsburgh as the basing point.

We are independent manufacturers, located outside the Pittsburgh district, and firmly believe that the disadvantages of any change from the present system would greatly outweigh any benefit that might be derived by abandoning Pittsburgh as a basing point. The generally accepted method of using Pittsburgh as the basing point has been of great benefit to the trade by standardizing prices and greatly simplifying the details of buying and selling.

The Pitsburgh basing plan is not obligatory upon anyone, and if a local mill desires to make special quotations to near-by users that is their privilege.

To abandon this uniform price-basing plan would bring about far-reaching complications and difficulties.

We are strongly opposed, therefore, to any change in the present practice.

Very truly yours,

N. & G. TAYLOR Co., (Inc.)
H. N. TAYLOR, *President.*

PHILADELPHIA, *September 15, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

DEAR SIRS: Our attention has been drawn to a statement submitted to you by the Weirton Steel Co., of Weirton, W. Va., on the subject of the importance of preserving Pittsburgh as a basing point. We would like to say that this statement has our unqualified indorsement, and that we are in favor of Pittsburgh being continued as a basing

point, and we believe that any deviation from this established arrangement would end in confusion and hardship in our industry.

Very truly yours,

N. & G. Taylor Co.,
W. W. Justice, Jr.,
Vice President.

STATEMENT OF GULF STATES STEEL CO.

Birmingham, Ala., *August 13, 1919.*

Hon. W. B. Colver,
Chairman Federal Trade Commission, Washington, D. C.

Sir: In reply to the request of the Federal Trade Commission through the newspapers that parties interested should submit a brief on this subject prior to September 1, I have the honor to state my views as follows:

The demand of the Civic Association of Birmingham that manufactured steel should be sold in Birmingham at Pittsburgh flat prices is entirely unjust and improvident, unnecessary, and based upon assumptions and a lack of correct information. I oppose such request, and have heretofore notified the secretary of said Civic Association that I was willing to appear before his committee or board of directors and discuss the subject with it or them, to which proposal I never received any reply whatever, and believe that said request of said association is not representative of requirements or desires of consumers of steel in the Birmingham district.

I state unequivocally that the Gulf States Steel Co., of which I am president, has not received (and is not now receiving) any complaints within the past two or three years from its customers as to the parity of its prices with Pittsburgh and other producing centers. The maintenance of a base rate in Birmingham of 15 cents per 100 pounds on bars appears to be entirely satisfactory to the fabricators of the Birmingham district.

I append to this brief a statement, marked "Exhibit A," showing that at the present base rate a fabricating plant in Birmingham can pay the 15 cents per 100 pounds extra price now charged by us and will then have an advantage, cost and freight, over a competitor in Pittsburgh who may have bought at the flat Pittsburgh basis in making delivered prices at Birmingham, Memphis, Nashville, Chattanooga, Atlanta, Savannah, Jacksonville, Pensacola, Mobile, Montgomery, New Orleans, Shreveport, Meridian, Jackson, and Vicksburg.

I charge, therefore, that the lack of information on the part of the Civic Association in Birmingham is shown in that it contrasts the business situation of the Birmingham consumer of steel competing for business in the Southern States with the position of a competitor in Pittsburgh, disregarding altogether the preferential position oc-

cupied by the Birmingham producer by reason of his greater proximity to the ultimate consumers.

Assuming that there were no steel works in Alabama, and that all steel must be shipped into this State from Pittsburgh, the price would be Pittsburgh plus freight. If it were proposed to establish a steel works in Birmingham and the right to produce and sell steel here should be coupled with the obligation to sell at the cost of production not exceeding the cost in Pittsburgh, what inducement would there be to establish such works? Even if the cost of production were as low as in Pittsburgh, and the Birmingham producer should charge the equivalent of Pittsburgh price plus freight, the Birmingham consumer would not be prejudiced, he would not be injured, he would be paying the same price that he was before, but would have the advantage of a producer at his door who would relieve him from investing capital and carrying stocks, and would give him prompt delivery to suit his exact requirements at a moment's notice. What moral ground has the Civic Association on which to demand that the builder of steel works in the Birmingham district shall forego and relinquish any advantage that he has obtained by the location of his works in a consuming district and hand over that advantage to some consumer who has not taken perhaps 1 per cent of the risks or invested 1 per cent of the capital of the steel producer itself. I submit that the demand is nothing less than an arbitrary one to take accrued advantage from one who is a producer and hand it to one who is a consumer and who has not made the demand himself, but is satisfied with his present situation.

The idea that the Birmingham district can produce more cheaply and sell more cheaply than any other in the United States is erroneous and based upon traditions or in some cases facts which have ceased to exist owing to changed conditions.

In the early days of Birmingham 50 per cent ores were mined from the outcrop by handwork and transported on an average freight rate of 12½ cents per ton of 2,240 pounds to blast furnaces within the Birmingham zone. To-day those rich, soft outcrops have been entirely exhausted and the hard ore is followed in some cases as deeply as to the sea level or far below it; and the district is dependent upon ore which does not exceed 36 per cent metallic iron; is hard; requires mining with power equipment, single installations costing in some cases from one-half to three-quarters of a million dollars, and after production subject to a freight rate of 50 cents per short ton of 2,000 pounds.

The best quality of coking coal in the district—the Pratt seam—has been very largely depleted, and few of the producers are able longer to rely upon it, but the greater part of the metallurgical fuel produced in the district is from "big seam" coal, which requires washing. Although the Birmingham district only produces 3 per cent of

the coal of the United States, it produces 40 per cent of the washed coal of the country, the washer loss running from 12 to 25 per cent, according to character of coal and efficiency of equipment.

The labor of the South is notoriously less efficient physically, man for man, than that of the North. This is admittedly due to climatic conditions, which, on the other hand, permit cheaper housing, clothing, and feeding than in the North; and in the past southern labor was cheaper. Now, under the strain of war, men command the same wages regardless of their efficiency. This is especially so with reference to what is called unskilled labor.

The cost accounts on file with the Federal Trade Commission show that the South no longer dictates to the rest of the United States what shall be the price of pig iron; it is no longer able to do so. The Birmingham district is handicapped in its supply of scrap. It can not, by reason of the incidence of railroad freights, buy from distant northern markets and bring scrap South, but the northern consumer can, and does, buy southern scrap which is on its way to the market. A buyer in Cincinnati or Chicago or St. Louis can buy in Birmingham and convert into steel at the point of ultimate consumption. If the Birmingham buyer tried to retaliate, he would pay freight on the scrap going South and again on his steel products going back North and could not compete.

Thus neither in coal, coke, ore, pig iron, scrap, or labor is the Birmingham producer in any way helped or advantaged over his northern competitor. The only single advantage that he has is that he is nearer to his market if he desires to confine himself to the sale of his products in the southern zone, and this sole advantage the Civic Association of Birmingham would ask the Federal Trade Commission to take from him and put him out of business.

The Gulf State Steel Co. is a manufacturer not only of bars, but also wire products. The three producers in the South—the American Steel & Wire Co., of Birmingham; the Gulf States Steel Co., of Gadsden; and the Atlantic Steel Co., of Atlanta—all sell their wire products at Pittsburgh prices plus freight. The absolute justice of this course has been already submitted in the observations on bars. The sale of the two products, however, is decidedly different. The consumers of bars are comparatively few and far between. Apart from the usual village blacksmith, there is only here and there an engineering or fabricating plant throughout the entire South, and the sales to those can be conducted easily and cheaply. Wire products, however, including wire nails, which are used by every carpenter; barbed wire, woven fence, and bale ties, which are used by practically every farmer; and plain wire for bed springs and numerous manufacturing specialties are handled by every hardware merchant throughout the South, and the customers upon the books are numbered not by units, but by hundreds, and the traveling sales-

men necessary and the volume of correspondence and the telegraphing and telephoning in handling the sales is voluminous and costly.

At the present time the Pittsburgh basis is well understood and is thoroughly acceptable to the trade at large. At one time there was an effort made to establish a separate Birmingham base for wire products. It immediately brought swarms of complaints to our company from the jobbers in various cities. A man in Atlanta would complain that we were giving an advantage to the Birmingham jobber over himself in that the Birmingham jobber, for instance, could sell to Anniston more cheaply than he, the Atlanta jobber; and similar complaints from our customers in Nashville, Memphis, Montgomery, and elsewhere. Since the adoption of the uniform Pittsburgh basis all these complaints have ceased. The difference in the freight rates is so small from Pittsburgh to the various towns in and through Alabama that they are all practically known and understood and accepted on relative basis. If the Pittsburgh basis should be abolished and the Birmingham basis substituted, how could business be done on the frontier line of an area lying between these two basing points? Every traveler would reach an intermediate town and endeavor to acquire information as to competitive quotations made from other districts and would be unable to make his own quotation until he gathered such information, telegraphed or phoned it to his house, and received instructions. The business is done by traveling men almost exclusively, of whom there are scores representing the various producers of wire traveling through the South. Their movements would be delayed, their traveling expenses greatly increased both for hotel bills and telegrams, and the increased cost of distribution, which is to-day approximately $2 per ton, would probably be doubled, and whatever the increased cost of selling, it must obviously be passed on to the consumer, who would thus have all to lose and nothing to gain.

In addition to the above observations, which are all of a more or less concrete character, I respectfully submit the following remarks, which are more general and intended to meet the wishes of the Federal Trade Commission and serve it with suitable suggestions:

Business enterprises are worse than useless to the communities in which they are located unless they are successful because their failure brings discredit on the locality.

Good management involves caring for the interests of the enterprise primarily and not being diverted from that consideration by others which are collateral or subsidiary, such as the advantage of other towns or other business enterprises.

A steel business can not to-day be successful unless it is integrated, and this involves great expenditures of money for the acquisition and development of mineral lands, coal mines, coke ovens, ore mines, blast furnaces, steel works, and finishing departments. At this writing the property account of this company stands at approximately

$15,000,000, and the interest on purchase money, together with accruing taxation on such large investment, is a large factor in the manufacturing cost. To earn an adequate return upon such large investments it is necessary to produce heavy tonnage.

To dispose of this tonnage involves selling in markets both near and afar. Some of these markets are more desirable and others less desirable, according to their distance, the amount of freight payable to reach them, and the amount of competition existing there.

A good management, to insure success, must use all the markets, good and poor, hoping to establish a reasonable average of net selling prices. If business is restricted to the markets with low freight or little competition, the tonnage will be inadequate to keep the works in full operation and the result will be failure.

In a strict sense, there is no basing point in the steel trade, although the largest production is in the Pittsburgh district and the greatest amount of competition comes on Pittsburgh products, and in many cases it is necessary to meet the prices made by Pittsburgh producers plus their freight. In other cases Birmingham district steel products must meet Colorado plus freight; in others, Ironton, Ohio, plus freight; in others, Youngstown, plus freight. The Birmingham steel industry, to be successful and to be operated fully and to be useful to the community, must meet these various zones of competition, making its purchases in the cheapest markets and its sales in the best ones consistent with competition.

There is no reason why Birmingham producers should be requested to sell at Pittsburgh prices. Their ore is leaner, the coal is thinner, and the labor is less efficient. Pittsburgh steel works use Lake ores 50 to 60 per cent, against Birmingham 36 per cent, and have excellent coal 6 to 7 feet thick against Birmingham average 3 feet 6 [inches].

Birmingham producers are prejudiced and discriminated against by recent freight advances on raw materials because a larger bulk is used in the Birmingham district to the ton of iron than in the Pittsburgh district.

The skilled steel workers with their families reside in the North, and Negro labor is not as skilled and as efficient as the northern labor, which has had long training.

The South is sparsely populated; the North is densely populated and full of consuming centers close together. These centers are far from the Birmingham district, involving heavy freight charges.

The history of the iron trade of the South has been one more of failure than of success. For every blast furnace running in Alabama to-day two have failed financially in an effort to compete in the North. It is therefore necessary to seek southern markets not only for pig iron, but also for rails, billets, plates, wire, bars, cotton

ties, etc. This involves selling in the southern tier of States, also the Southwest, and foreign countries to be reached by South Atlantic or Gulf ports.

In such trade the Birmingham district producers have a freight advantage over Pittsburgh, Chicago, Ironton, or Colorado producers which offsets the occasional loss of profit where it is necessary to ship goods northbound.

Any request that Birmingham producers should arbitrarily undertake to sell to Birmingham consumers either at Pittsburgh, Chicago, Ironton, or Colorado prices is a request arbitrary in its nature and an interference with the right of every man to buy and sell to best advantage in his natural markets.

In conclusion I respectfully submit this to the Federal Trade Commission as a matter of common fairness and right. My company has millions of dollars invested in this district and is striving earnestly to make a living. We are supplying bars to-day to consumers in Birmingham at an actual loss, cash out of pocket. We are not receiving the slightest complaint from any of those consumers. Those consumers at our price are able to undersell in any southern city any Pittsburgh producer at the Pittsburgh base price plus freight from Pittsburgh to such southern city. Why should we be asked by an outside organization, which has no interest in the matter, to make a lower price than we are now making? Under the conditions now existing we are not earning any dividends on our common stock; we are not earning any surplus money for investment in improvements, which we greatly need in the business to enlarge the resources of the district.

Those resources at present are being largely frittered away, as they have been for 30 years, by skimming the best of the materials and shipping them away to far-distant markets in some semifinished form. It is to the highest interest of the Birmingham district that there should be not one or two producers of finished forms of steel, but half a dozen, at least, in active competition with each other. No one to-day can go into the production of finished forms of steel without very large investments both in mineral lands and in operating works, so as to be thoroughly integrated. What inducement is there to raise the large capital required for such investments if as a matter of public policy the producers of the district are to be called upon to sell at the production costs of an old, well-established, very wealthy district with every possible improvement for labor and fuel economy already in effect? The proposal is not even logical. It seeks to take any advantage of location away from A. B. and hand it over to C. D., without recognizing that the selfsame argument would suffice in turn to take away the advantage from C. D. and give it to E. F., and then C. D. would be no better off.

The inevitable tendency of such a proposition would be that A. B., having already made such large capital commitments, would go a step further, or two steps further, and would itself provide the works of C. D., and E. F., and thus the effort to deny a reasonable profit to A. B. would lead to the creation of a monopoly, which is against public policy.

It is therefore respectfully submitted that so long as there is no combination or any other illegal action under the antitrust law or the Clayton Law, so long as there is nothing unfair and our corporation is operating in pursuance of law, filing its cost accounts with the Federal Trade Commission, competing in the open markets wherever it can find business and secure it at a profitable price, it and others like it should be left alone, trusting to the general laws of supply and demand and of competition, together with the Federal income tax and excess-profits tax to regulate all such matters.

In all business it is not so much upward or downward changes that will make money for the operators as the assurance of stability of prices, so that the forces of competition may be wisely assessed and understood. The removal of one common basing point and the substitution of several removes this certainty and substitutes uncertainty.

The South is a zone practically to itself. It is a long way from the populous consuming centers of the East and of the central West. The questions that may arise for the consideration of the Federal Trade Commission with reference to basing points there, it is respectfully submitted, do not exist or arise in connection with the South.

Yours very truly,

JAS. BOWRON, *President.*

EXHIBIT A.

Freight rates—Steel bars.

To—	From Pittsburgh (per 100 pounds).	From Birmingham (per 100 pounds).	Difference in favor Birmingham (per 100 pounds).	Difference in price in favor Birmingham over Pittsburgh (per 100 pounds).
Birmingham, Ala	\$0.57½	....	\$0.57½	\$0.42½
Memphis, Tenn	.32	\$0.14	.18	.03
Nashville, Tenn	.39	.11½	.27½	.12½
Chattanooga, Tenn	.44	.12½	.31½	.16½
Atlanta, Ga	.54	.17½	.36½	.21½
Savannah, Ga	.34½	.17½	.17	.02
Jacksonville, Fla	.34½	.17½	.17	.02
Pensacola, Fla	.38½	.16½	.22	.07
Mobile, Ala	.38½	.15	.23½	.08½
Montgomery, Ala	.57½	.16½	.41	.26
New Orleans, La	.38½	.16½	.22	.07
Shreveport, La	.61	.34	.27	.12
Meridian, Miss	.59	.12½	.46½	.31½
Jackson, Miss	.59	.24	.35	.20
Vicksburg, Miss	.38½	.16½	.22	.07

MAY 28, 1919.

STATEMENT OF LACKAWANNA STEEL CO.

[In the matter of the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation, and others.]

BEFORE THE FEDERAL TRADE COMMISSION.

Lackawanna Steel Co. having received a communication from Hon. Victor Murdock, acting chairman of the Federal Trade Commission, dated August 20, 1919, requesting a written statement of the position of the company with respect to the above-mentioned application, does now in pursuance thereof and at the request of said acting chairman submit a statement of its position with regard thereto as follows:

1. Lackawanna Steel Co. is engaged in the production and selling of steel, having a large plant therefor at Lackawanna, in the State of New York, just outside the city of Buffalo, and sells its products at various places in the United States of America and elsewhere. The company has been engaged in the steel business for upward of 35 years or more; its properties have a capacity of production of upwards of 1,250,000 gross tons of finished rolled steel products per year.

2. Lackawanna Steel Co. generally sells and since its inception has generally sold its steel products, such as structural shapes, plates, merchant bars, etc., at the market prices, plus an amount equal to the published tariff rate of freight on such products from Pittsburgh to the point of destination. The practice just described is and for many years has been the practice of steel manufacturers generally and is the growth and outcome of the natural law of supply and demand. So far as is known to this company, this has been the custom of the trade since the commencement of the steel industry for the reason that during that time the so-called Pittsburgh district has produced a majority of all the steel produced by all manufacturers in the United States. Under this custom the company is able to quote prices to any point by ascertaining the amount of the published tariff rate of freight from Pittsburgh to that point. There have been certain exceptions to the general rule in the experience of the company. At certain times when the supply has exceeded the demand, the custom has been more or less disregarded by all producers, but at a loss.

3. The freight from Pittsburgh to any given locality is necessarily an element of the market price of steel in that locality. This is so, not as the result of an arbitrary price system, but because of purely economic reasons, as follows:

Under existing conditions it is a fact that the Pittsburgh district supplies a greater amount of steel than any other district. It produces approximately 70 per cent of the whole production of the country. It is a further fact that the Chicago and tributary districts

do not supply a sufficient quantity of steel to meet their own requirements and that a substantially larger part of the requirements of those districts is supplied by outside steel-producing districts, among which the Pittsburgh district strongly predominates. This being the case, the consumer in the Chicago and tributary districts must finally, in order to obtain his full supply, call upon the Pittsburgh producer and pay the price of the Pittsburgh producer. Consequently, by the operation of natural economic laws, the market price in the Chicago district, as well as elsewhere, is dependent upon the amount for which the Pittsburgh producer will sell, and that amount is based in part on the freight from Pittsburgh to Chicago or other destination. This will hold true so long as Pittsburgh continues to have a larger output than any other district.

Lackawanna Steel Co., when it sells in any particular district, is entitled to receive the market price prevailing in that district. To prohibit the company from receiving that price would be an injustice. Consequently the Lackawanna Steel Co. is in any district entitled to receive a price which has for one of its elements the freight rate from Pittsburgh to that district. It makes no difference that the Lackawanna product is actually shipped from Buffalo. The Pittsburgh freight enters into the amount of the local market price, and Lackawanna is entitled to receive that price. If, in arriving at its price for any particular locality, Lackawanna or any other company were obliged by this Commission, as is requested in the pending application, to deduct from the prevailing market price an amount equivalent to the freight from Pittsburgh, such company would receive a price determined not by market conditions but by the fiat of the Commission. From the foregoing it follows that so long as present conditions in steel production prevail a producer is entitled to receive in any locality a price founded upon and in part made up of the Pittsburgh freight rate.

4. There are three factors in a market price for steel in any locality—cost plus a reasonable profit plus Pittsburgh freight. The first two elements would be constant in whatever locality a particular product should be sold. The third, of course, would vary in each locality.

If, as above argued, the freight rate from Pittsburgh is necessarily and economically an element in the market price in any particular locality, no injury can be done to anyone in allowing the producer to sell on a Pittsburgh base system.

It is true that the result of the present condition is that the producer sells his product at different prices in different localities, but this does not constitute an illegal discrimination in price, as appears from the language of section 2 of the Clayton Act, which section

deals with "Price discrimination," and contains the following provision:

Provided, That nothing herein contained shall prevent discrimination in price between purchasers of commodities * * * that makes only due allowance for difference in the cost of selling or transportation or discrimination in price in the same or different communities made in good faith to meet competition.

5. The company believes that should the existing custom be changed, thereby making Chicago or some place other than Pittsburgh a basing point or the sole basing point, or by compelling the existence of more than one basing point, it would not merely result in great confusion in the steel industry in general, but in substantial loss to the company, its stockholders, and employees. It is not believed that there can be a middle ground between the present condition, on the one hand, to wit, a single basing point founded on the production in that district of a major portion of the steel produced in the United States, and, on the other hand, a condition where each mill has its own basing point. The immediate result of a change in the existing system would be the restriction of the sales of each company to a district in close proximity to its own mills. The result would be that in many parts of the country this company would be unable to compete or take any part in competition for local demands. The same is true of all other producers, and there would be in consequence a substantial reduction in competition all over the country.

6. This company has made inquiries of some of its customers who are consumers of large quantities of steel, with a view to obtaining their views on the subject. Copies of letters from them are annexed to this statement and made a part hereof.

H. D. Taylor Co., Buffalo, are jobbers of iron and steel.

Archbold-Brady Co., Syracuse, are engineers and contractors.

John J. Greer & Co., Baltimore, Md., are jobbers.

Buffalo Bolt Co., Buffalo, are manufacturers of bolts and nuts.

Moore Drop Forging Co., Springfield, Mass., are makers of drop forgings, etc.

Beals, McCarthy & Rogers, Buffalo, are jobbers.

The Boston Bridge Works, Boston, Mass., are fabricators of steel shapes, etc.

It is also the belief of this company that the custom aforesaid is of very real benefit to consumers since as one result of it they are able to obtain the competition of a number of steel producers in all parts of the country.

7. The company further submits that in the event of an order of this Commission merely abolishing the Pittsburgh base or merely decreeing a Chicago or other base without more, the only effect would be that the steel companies would discontinue the form of

making their prices based on Pittsburgh plus published tariff rate of freight, but would charge a price which would still be in fact a price plus published tariff rate of freight from Pittsburgh, so that the action of the Commission would be nugatory. If, however, the Commission should go further and prohibit the consideration, as an element of price, of the Pittsburgh base and establish a Chicago or other base, it would in fact fix and establish the price of steel products. This the Commission has not the power to do. Even if the Commission did have the power so to fix the prices of steel products, the result would be immediately to divorce such prices from the natural law of supply and demand with disastrous consequences. It might also be noted here that it is not true that in that event the Chicago steel fabricators could compete the world over. On the contrary, there would be an equalizing or neutral point beyond which they would be unable to compete. Moreover, there is nothing to guarantee that any saving in the price of steel at Chicago, for instance, consequent on the establishment of Chicago as a basing point, would benefit the local consumer. On the contrary, the result would be that because of the loss of the competition of other steel manufacturers and fabricators the Chicago fabricators would be able to charge and maintain the same relative prices and that thereby the net gain to the ultimate consumer would be nil.

8. The company further calls the attention of the Commission to the fact that the Commission is not in this case called upon to act by persons who have in any way been injured by an existing trade practice. On the contrary, the complainants in this case and those whom they represent have not only benefited greatly under the existing custom, but have prospered. An investigation by the Commission into their affairs will disclose the truth of the last-mentioned statement. If this investigation is made, it will be found to what great extent the complainants and those whom they represent have been able to prosper and to make very large profits under the system which they now attempt to overthrow.

9. Lackawanna Steel Co. absolutely denies each and every allegation in the application for the issuance of the complaint herein to the effect that its prices are fixed by any understanding or agreement between the producers of steel. The company has no such agreement or understanding whatsoever with any other producer of steel.

10. For the sake, therefore, of maintaining the natural law of supply and demand and to prevent the confusion which would result from any such change in the present system as that suggested in the application for the issuance of a complaint, the Lackawanna Steel Co. states as its position with regard to the matters aforesaid

that it is able to compete with other companies in a much larger field under the present system; that it greatly fears the results of any change therein; and it requests that a complaint be not issued which would have any such result.

Respectfully submitted this 28th day of August, 1919.

LACKAWANNA STEEL CO.,
By C. H. McCULLOUGH, Jr.,
President.

BUFFALO, N. Y., *August 22, 1919.*

Mr. C. R. ROBINSON,
c/o Lackawanna Steel Co., Buffalo.

MY DEAR MR. ROBINSON: We have your letter of August 19. To be perfectly candid we have not given the question of Pittsburgh basing but very little thought. The writer assumes that the jobbers' attitude on a question of this kind would be somewhat different than that of the manufacturer. There are conditions under which we would very much prefer to purchase f. o. b. mill, but as the steel business is at the present time and as it has been during the past three years, it is the writer's judgment that the Pittsburgh base is the most desirable from the standpoint of the distributors in this territory, and if business continues as it is we prefer to buy f. o. b. Pittsburgh.

Very truly yours,

H. D. TAYLOR CO.,
GEO. C. FINLEY.

SYRACUSE, N. Y., *August 22, 1919.*

Mr. C. R. ROBINSON,
Vice President Lackawanna Steel Co., Buffalo, N. Y.

MY DEAR MR. ROBINSON: Yours of the 19th instant addressed for the personal attention of Mr. Dunne arrived when he is absent on a two weeks' vacation getting a much-needed rest. I have just returned from my vacation myself, and feel a whole lot rested, although it is a little difficult to get back into the harness again.

We have never had any special objection to the Pittsburgh basing as, of course, it was of assistance to us in western business, and if Chicago was also made a basing point it would be quite a handicap to us in some negotiations. Most of our competition originates around Pittsburgh, however, so that has not been so much of an argument as it might have been.

It seems to us that if Chicago is to be made a basing point that Buffalo should also be, which would be somewhat to our advantage. Perhaps this suggestion would not particularly appeal to you, but you can see our position.

I have not had a chance to talk with Mr. Dunne, but do not see that we would be greatly affected one way or the other. As a matter of fact, from our standpoint, I think it would be just as well if the Pittsburgh basing was left undisturbed.

As soon as Mr. Dunne has returned we will talk this question over and will write you further.

With kindest regards, and hoping to have the pleasure of seeing you some time in the near future, I remain,

Very truly yours,

W. K. ARCHBOLD.

BALTIMORE, *August 20, 1919.*

Mr. CHARLES R. ROBINSON,

Vice President Lackawanna Steel Co., Buffalo, N. Y.

DEAR SIR: Your favor of the 19th instant at hand. Contents carefully noted. We are heartily in favor of "Pittsburgh basing," and trust the Federal Trade Commission will allow this to stand as it has been for a number of years, and we urgently enter our protest against this change.

Yours very truly,

JOHN J. GREER & CO (INC.),
C. S. DELL, *President.*

BUFFALO, N. Y., *August 18, 1919.*

Mr. C. R. ROBINSON,

Vice President Lackawanna Steel Co., Buffalo, N. Y.

DEAR ROBBIE: As you say, we know that the Pittsburgh base question is again to come up, and we shall do what we can to get our trade association to assist in maintaining the so-called Pittsburgh base. There is to be a meeting this week, and I will gladly let you know what they think about it at this meeting.

We should prefer to have the Pittsburgh base maintained, particularly if it is maintained all the way through, including the goods we sell. We realize that with the Pittsburgh base it is possible for us to get into markets that it would be impossible for us to touch were our competitors able to buy their material delivered, and it would be very detrimental to us if it was maintained on some things and not on others; so, taking it all in all, we are strongly in favor of the Pittsburgh base.

Very truly yours,

R. K. ALBRIGHT, *Vice President.*

SPRINGFIELD, MASS., *August 22, 1919.*

C. R. ROBINSON,

Vice President Lackawanna Steel Co., Buffalo, N. Y.

DEAR SIR: Your favor of the 19th instant received, and I note carefully what you say about the question of basing prices on steel products. We are very sure that the old basis, which has been in force so long, is the one that we would like to see continued, and I hope that some way will be found to make this possible.

Yours very truly,

A. H. CHAPIN, *President and Treasurer.*

BUFFALO, N. Y., *August 22, 1919.*

Mr. CHARLES R. ROBINSON,

Vice President Lackawanna Steel Co., Buffalo, N. Y.

DEAR MR. ROBINSON: Your letter of August 19 received.

We can not see any advantage in changing the custom of basing steel products f. o. b. Pittsburgh. We feel that while there are many arguments in favor of having more than one basing point, we think they are outweighed by the benefits derived from the stabilized market based on one point.

From experience in buying general supplies sold f. o. b. various manufacturing points throughout the country, we think the single basing point simplifies the

figuring of transportation costs and amounts to the same thing in the end because competing manufacturers invariably equalize freight.

We do not know whether you are in favor of a change or not. If you are, we would be glad to know some of your reasons.

Yours very truly,

BEALS, MCCARTHY & ROGERS (INC.).
EUGENE J. MCCARTHY, *President.*

BOSTON, MASS., *August 22, 1919.*

C. R. ROBINSON,
Vice President Lackawanna Steel Co., Buffalo, N. Y.

MY DEAR MR. ROBINSON: I have your favor of August 19 with regard to the question of "Pittsburgh basing." After consulting with the other members of our office, we all have to plead that we know very little about the matter in question, but we all feel that the basis which has governed the sale of steel products in the past has worked satisfactorily to us and we can see no reason for changing it. Of course, however, we remember that New England is a small corner of the country and that our view is somewhat limited.

Regretting that we can not discuss the matter in a larger way, I remain,

Sincerely yours,

E. T. PEVERLY, *Secretary.*

STATEMENT OF JONES & LAUGHLIN STEEL CO.

[Statement protesting against a change in Pittsburgh basing point for steel products submitted by Jones & Laughlin Steel Co., of Pittsburgh, Pa., to the Federal Trade Commission in compliance with suggestion in its letter of July 26, 1919, to E. H. Gary, president of the Iron and Steel Institute.]

To the FEDERAL TRADE COMMISSION:

The question involved is of very great and far-reaching importance. It affects not only the iron and steel business of the country but other interests identified and associated with the manufacture of iron and steel and without which iron and steel could not be produced. It affects labor beginning at the mines and quarries and ending only with the finished product, and labor again in the transportation of great tonnages of raw materials inbound and the finished products outbound. It affects railroads, because if Chicago is made a basing point railroads such as the New York Central and Pennsylvania will lose large revenues by reason of lessened traffic, or freight rates will have to be materially reduced in order to give the mills in the Pittsburgh district an opportunity to compete for the business in the Chicago district and in the territory west, northwest, and southwest of Chicago; and it follows, as a matter of course, that if multiple basing points are established other railroads will be similarly affected; they will lose traffic unless the freight rates are reduced. It affects merchants and the public not merely in one locality, but throughout the length and breadth of the land, because all the country's industrial and mercantile production was built up under to-day's Pittsburgh basing point.

At this point we desire to say a word about the early history of iron manufacture in this country. The first attempts to make iron began long before the Revolutionary War and were confined to a narrow district at or near the Atlantic seaboard, chiefly in Virginia, New Jersey, and eastern Pennsylvania, but the production was so small and the methods so crude it remained for Pittsburgh to make pig metal and roll it into finished shapes in a large and commercial way. With the coming of Pittsburgh to be an iron manufacturing center probably 100 years ago, it was naturally and logically made the basing point, and such it has remained to this day, through the full and free play of competition in good times and bad and against attempts of buyers to change it. It is, therefore, only true to say that the Pittsburgh price as the base price for iron is as old as the iron business itself. With Pittsburgh as the basing point, the manufacture of iron and steel has grown to immense proportions, evidencing free and fair competition between all sections of the country in accordance with the well-known natural laws of competition in trade. The business must have been competitive or it would not have endured and prospered through all the changes brought about by growth in population, wealth, development of the country's resources, and the establishment of many large self-contained steel plants, east, west, and south of Pittsburgh.

That Pittsburgh was made the basing point through a combination or agreement or understanding amounting to agreement is an impossible thought. The Jones & Laughlin Steel Co. was founded in 1853 and has never during the 66 years of its existence discussed with its competitors the fixing of Pittsburgh as a basing point.

Does its continuance as the basing point violate section 2 of the Clayton act of October 15, 1914, or section 5 of the Federal Trade Commission Act of September 26, 1914? Those acts are intended to encourage, to promote, to stimulate competition. Is the effect of a continuance of Pittsburgh as the basing point such as to "substantially lessen competition" and create a monopoly? We maintain the very opposite of this.

The application presented is in the interest of having Chicago made a basing point, with a price "as low as the price at any other point," but anyone of the places where large and self-contained steel plants are located may ask, with equally good reason as Chicago, to be made a basing point. If this were brought about it is plain that every mill would have a monopoly of its local territory and would be unable to compete outside of its narrow circle and free competition over the whole country would be abolished.

The great bulk of steel products leave the mills in crude form and is shipped to manufacturers whose business it is to put this

steel into highly finished and useful forms for consumption by the public, such as bolts, nuts, rivets, fencing, forgings, fabricated structural material for buildings and bridges, railroad cars and equipment, boat-building material, agricultural implements, tin cans and oil-well supplies, and many other purposes; and these manufacturers of the more finished forms would in turn be restricted to their own narrow geographical limits and could not ship broadcast as they now do. Many mills and manufacturers located where there are no large and important local markets would have to suspend.

A multiple basing point would have a disastrous effect on the economic conditions of the whole country. Labor wages would of necessity be reduced in mines and mills and in all collateral industries in the effort of one mill to compete with another, reaching to the railroads in their endeavors to retain the valuable freights which they now enjoy, as heretofore mentioned.

Not only would the large steel plants be adversely affected, but scores of small rolling mills, many of which buy their raw material in the shape of billets and slabs from the larger works, would be forced to close. These small mills, established and developed with Pittsburgh as the basing point, have maintained their places and enjoyed a profit.

Attached hereto and made a part of this statement are tables showing total production of finished rolled iron and steel by States for the years 1917 and 1918, with other tables showing a comparison of the production of what might be termed Chicago or Western mills with the Pittsburgh district mills.

The Chicago district in 1917 produced 18 per cent of the country's total iron and steel output, and in 1918, 19 per cent, while what may be considered the Pittsburgh district in 1917 produced 65 per cent, and, in 1918, 71 per cent of the country's total production in iron and steel. These percentages in themselves indicate the reason why Pittsburgh has always been and is now the basing point.

The Jones & Laughlin Steel Co. has shipped into the Chicago district and the western territory tributary thereto for several years past from 25 to 30 per cent of its production, and the presumption is other mills have shipped as much. It is manifest, therefore, that the Chicago district would fall far short of supplying its local market and the great territory west, southwest, and northwest. The general effect of making Chicago a basing point would be a depreciation of investment in the Pittsburgh district and a call for new and additional investment in the Chicago district. This would mean tearing down in one district and building up in another with-

out changing the country's total steel production and would also result in a depreciation—in some cases the destruction—of industries which have been built up in the Pittsburgh district to supply the needs of the iron and steel mills located there.

It would be a narrow view of the question (we say this with great respect to the Commission) that would give consideration only to the steel industry of the country. Many other interests are necessarily affected—the merchant who has established himself under trade conditions as they now are with Pittsburgh as the basing point; the small manufacturer who buys a carload of steel or more and works it up into a hundred different articles; the workmen who own their own homes in the Pittsburgh district and who would be compelled to leave them to make homes elsewhere—the interests that would be affected are very many and the injury almost incalculable. because such interests represent the growth and development of this country for at least a century.

The Jones & Laughlin Steel Co and all other independent steel companies would be at an unfair disadvantage if Chicago were made a basing point, to say nothing of other basing points that naturally would follow because the United States Steel Corporation has large and complete producing units at almost every important steel producing point. If these points should carry their own base price the one largest producer in the country would hold a position of advantage in every market and in some, as, for example, Duluth, Minn.; and Birmingham, Ala., have no competition.

To make Chicago a basing point is impracticable. Chicago has now and always will have an advantage of at least a week in making deliveries to customers in its territory. It is unthinkable that Chicago steel manufacturers with such an advantage would voluntarily name prices for their products substantially below those fixed by the competition of other districts, nor do we believe that the play of natural laws of competition can successfully be overcome by any arbitrary action or ruling.

Pittsburgh as a basing point really means free competition between all parts of the country. This is not a violation of the Federal laws. It is their rich fulfillment. We therefore believe—and we submit experience proves—that the change proposed would be against the best interests of the country.

The war that has engaged the world is scarcely over. There is inflation in almost everything—in money, in wages, in cost of living—which we hope and trust by an orderly and natural process will adjust itself without friction. In our judgment nothing would disturb this adjustment more quickly and disastrously than the change now proposed by certain buyers of steel having a local view-

point and forgetting that the welfare of the whole country must be conserved, and we respectfully suggest that in the matter presented for your consideration it would be extremely unwise to make any change in the long established order of things.

In conclusion we desire to make specific denial that either the Pittsburgh base or the price of steel is the result of agreement by or between manufacturers of steel products.

Respectfully submitted.

Jones & Laughlin Steel Co.,
Willis L. King,
Vice President.

Pittsburgh, *August 26, 1919.*

Production of finished rolled forms by States showing iron and steel separately.

1917.

States.	Iron.	Steel.	Total.
	Gross tons.	*Gross tons.*	*Gross tons.*
Maine, Massachusetts	24,215	194,747	218,962
Rhode Island, Connecticut	9,489	71,766	81,255
New York	82,716	1,410,053	1,492,769
New Jersey	40,543	198,429	238,972
Pennsylvania	793,551	14,225,320	15,018,871
Delaware, Virginia	27,058	35,345	62,403
Maryland	2,511	365,947	368,458
West Virginia	1,642	829,952	831,594
Kentucky, Tennessee, North Carolina Georgia, Texas	51,229	271,215	322,444
Alabama	1,022	883,478	884,500
Ohio	192,418	5,949,047	6,141,465
Indiana	306,504	2,829,185	3,135,689
Illinois	175,528	2,537,900	2,713,428
Michigan, Wisconsin, Minnesota	....	696,605	696,605
Missouri, Oklahoma	112,265	34,121	146,386
Colorado, Utah, Washington	30,224	543,436	573,660
California	16,842	123,397	140,239
Total	1,867,757	31,199,943	33,067,700

1918.

States.	Iron.	Steel.	Total.
	Gross tons.	*Gross tons.*	*Gross tons.*
Maine, Massachusetts	23,112	158,001	181,113
Rhode Island, Connecticut	9,832	71,485	81,317
New York	77,068	1,563,114	1,640,182
New Jersey	30,108	187,372	217,480
Pennsylvania	688,310	13,148,135	13,836,445
Delaware, Virginia	22,889	18,695	41,584
Maryland	2,055	414,158	416,213
West Virginia	5,241	726,236	731,477
Kentucky, Tennessee, North Carolina, Georgia, Texas	50,786	188,438	239,224
Alabama	4,579	750,889	755,468
Ohio	169,490	6,001,842	6,171,332
Indiana	204,535	2,639,894	2,844,429
Illinois	133,106	2,337,117	2,470,223
Michigan, Wisconsin, Minnesota	3,766	729,272	733,038
Missouri, Oklahoma	89,385	25,700	115,085
Colorado, Utah, Washington	39,810	474,360	514,170
California	19,904	147,070	166,974
Total	1,573,976	29,581,778	31,155,754

A comparison of what might be termed Chicago or western mills with Pittsburgh district mills is as follows:

Finished rolled iron and steel.

CHICAGO DISTRICT.

	1917	1918
	Gross tons.	*Gross tons.*
Michigan, Wisconsin, Minnesota	696,605	733,038
Illinios	2,713,428	2,470,233
Indiana	3,135,689	2,844,429
Total	[1] 6,545,722	[2] 6,047,690

PITTSBURGH DISTRICT.

	1917	1918
	Gross tons.	*Gross tons.*
New York, (major portion in Buffalo district)	1,492,769	1,640,182
Pennsylvania	15,018,871	13,836,445
West Virginia	831,594	731,477
Ohio	6,141,465	6,171,332
Total	[3] 23,484,699	[4] 22,379,436

[1] Equals 18 per cent of country's total production.
[2] Equals 19 per cent of country's total production.
[3] Being 65 per cent of country's total production.
[4] Being 71 per cent of country's total production.

STATEMENT OF UNION DRAWN STEEL CO.

CHICAGO, ILL., *April 24, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Replying to your favor of April 14, with reference to correspondence between ourselves and the Great Western Manufacturing Co., La Porte, Ind., we are pleased to give you such information as you desire as a matter of courtesy.

The Great Western Manufacturing Co. was mistaken when it stated that on a recent order we made a price f. o. b. Pittsburgh, and then shipped same from Gary, charging the difference.

In the first place, we have had no order from the Great Western Manufacturing Co., but simply an inquiry. They wrote us on March 29, asking us to quote on screw stock, as they stated they had a battery of six National Acme screw machines, and they would constantly be in the market for screw steel.

On March 31 we quoted them in carload lots 28 per cent discount, less than carload lots 23 per cent discount, f. o. b. our mill, Beaver Falls, Pa., and also stated that we were in position to give them prompt deliveries from our Beaver Falls, Pa., and Gary, Ind., mills; also from our Chicago warehouse stock.

Under date of April 1, they asked us for the analysis of our screw stock, and stated that they would be willing to purchase this from our

Gary, Ind., mill, as that is only 30 miles from La Porte. Under date of April 3 we advised them that any shipments either from Beaver Falls, Pa. (which is in the Pittsburgh basing territory), or Gary, Ind., mills are all sold f. o. b. Beaver Falls. In other words, our price is base f. o. b. Pittsburgh, and where shipment was made from Gary or Pittsburgh freight is equalized. That is, we add the freight from Beaver Falls or Pittsburgh (which are the same) to La Porte, Ind., to the invoice and deduct from the invoice the freight from Gary to La Porte. In other words, whether the material is shipped from Pittsburgh to La Porte or from Gary to La Porte, the cost is the same. This you will doubtless understand is simply meeting the condition known as Pittsburgh freight equalized, which is the way all steel is being sold at the present time, and is the way all steel was sold during the war, with exception of a period of a few months when the War Industries Board made Chicago a base point, but it was afterwards changed to Pittsburgh, being the only base point.

Mr. Lonn, of the Great Western Manufacturing Co., should know what that means. I am rather surprised that he does not.

You understand we do not manufacture steel. We finish steel by the cold-drawing process. Now, those producing the steel that we finish, and which we sell in the finished form, consider Pittsburgh as the basing point. In other words, suppose we purchased bars at the regular price to-day of $2.35 base, Pittsburgh district. The carload rate of freight to Gary is 27 cents per hundredweight. If we are buying the base size bars, we pay $2.35 plus carload rate of freight (27 cents), making the price that we pay for the steel $2.62 per hundredweight f. o. b. Gary, Ind. Now, when we sell it, we sell it on the same basis, f. o. b. Pittsburgh, Pittsburgh freight equalized. That means that when we ship it from Gary we add the freight from Pittsburgh to destination, then subtract the freight from our Gary mill to destination. In other words, it costs the man just the same whether it is shipped from Pittsburgh or Gary.

As to how we justify such a practice as this, I would state that it is the general custom. It is not exclusive with us. It is universally done, and everyone selling steel does this. Everybody in the steel business knows that with one mill located at Youngstown, which is 50 or 60 miles from Pittsburgh; another mill located at Gary, and another one located some place else, if you do not have some central basing point on which to figure, there would not be any two mills that you could compare your prices with; and when no two mills are anywhere near the same price a confusion would result; but by having Pittsburgh as a base point, when a concern sells at $2.35 f. o. b. Pittsburgh, Pittsburgh freight equalized, a customer can immediately tell whether or not he is getting a little

advantage without a lot of extensive investigation of freight rates, etc.

If the Pittsburgh mill quoted $2.35, Pittsburgh freight equalized, and the Youngstown mill quoted $2.30, Pittsburgh freight equalized, you would know immediately that Youngstown was quoting 5 cents under Pittsburgh; but if Pittsburgh quoted $2.35 f. o. b. Pittsburgh and Youngstown quoted $2.30 f. o. b. Youngstown, the prospective purchaser would not know whether Youngstown was cheaper than Pittsburgh until he went to the trouble of finding out what the freight rate was from Pittsburgh to his point and from Youngstown to his point; but by quoting a base price, Pittsburgh freight equalized, customer instantly knows whether one mill is giving him the benefit of a lower quotation or if some other mill is higher. Business men in the steel line generally know that this method of quoting is vastly superior to haphazard f. o. b. maker's mill.

Trusting the above gives you all the information you desire, and if there is anything further that we can favor you with we shall be most pleased to do so, we are,

Yours very truly,

UNION DRAWN STEEL CO.,
A. D. DORMAN,
Western Manager.

STATEMENT OF KOKOMO STEEL & WIRE CO.

KOKOMO, IND., *August 15, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission.
Washington, D. C.

HONORABLE SIR: The steel industry has grown up around Pittsburgh as the pioneer in the development of this industry. Large plants controlling the larger part of the production of steel in the United States have grown up around this point, based upon an extended trade to all parts of the country. To establish several basing points at different sections of the United States, say, Birmingham, Chicago, and Pueblo, Colo., without taking into consideration the freight rates from Pittsburgh to these various basing centers, would deprive these large plants at Pittsburgh of a market which they have enjoyed since the establishment of the steel industry in our country. In fact, I know of no company owning plants in Pittsburgh or the Valley that would not suffer a marked loss of trade, unless it would be such a company as the Steel Corporation, who owns plants, not only in the Pittsburgh district, but in Chicago, Duluth, and Birmingham. The existing steel companies located in Pittsburgh, with their large production, would be forced to abandon a large per cent of their trade to the West, or else move their plants

to the basing centers, in order that they may be in a position to meet competition of those companies who happen to have plants located in the various basing centers, which we presume would be those mentioned above. They must either do this or depend entirely upon the export trade to consume the surplus, which they have been sending West, unless they desired to continue to send it West at a considerable loss; the result of abandoning the Pittsburgh base as the one controlling basing center for the steel industry in the United States. Temporarily, at least, if a reasonable profit only is to prevail in steel, the changed basing points would result in a shortage of the supply of steel to the various sections of the country who are now depending upon Pittsburgh to supply them with this material, for Chicago, Duluth, and Birmingham would not be adequate on a basis of their present production of steel to supply Pittsburgh's quota should this steel be withdrawn from the market on account of the change in basing points. But even should Pittsburgh continue to ship steel, she would be considerably handicapped, and the tendency of the other basing points would be, on account of their advantage, to increase their capacity until they were able to meet the demand in the zone which they control. The result of this, as you will readily see, would be to greatly increase the production of steel at the new basing points and the languishing of the steel industry in Pittsburgh and the Valley.

Again, to have more than one basing point would be to concentrate the production of steel at two or three points or centers in the country, and a plant located halfway between Chicago and Pittsburgh could never expect to be a large producer of steel because it would be at a marked disadvantage with steel mills located at the basing center with the result that we would have steel works gathered in a few centers in the country and not distributed through the various States promiscuously as at the present time, with a greatly increased possibility of severe strikes and labor troubles, which would be disadvantageous to the industry as well as the general public.

As an illustration, take a plant located as our own between Pittsburgh and Chicago. If Chicago is a basing point, we will be handicapped on shipments west of the Mississippi about $3.40 a ton. This on a year's output of 120,000 tons, on the theory that all of our business went west of the Mississippi, would be in the neighborhood of $400,000 handicap against Chicago as a basing point. The net result will be that of necessity we will have to move our plant to the basing point, for no business concern would consider an annual handicap of what would constitute an excellent profit for each year, for it would be impossible for us, in the limited zone between Pittsburgh and Chicago as a basing point, to market our production. We could only cover a small portion of the State in which we are located on a

par with either of these basing points, and certainly the territory in which we would have an advantage because of our geographical location would be confined to a very few counties. In fact, we would destroy that condition, which is one of national security, and we so found it during the war. Large bodies of men concentrated at any point engaged in the same industry is a menace to a certain degree to continuous operation of plants, because strikes and labor trouble of every sort are liable to occur, which interferes with the Nation's business and development.

The country would be much better off with the steel industry distributed over the United States, as they exist to-day, their location being based upon a study of the business condition, freight-rate supply, and of raw material and labor, rather than have this natural condition supplanted by an enforced artificial arrangement brought about by an arbitrary fixing of basing points, for if this proposed change is made, endless confusion will result. Cities which are flourishing and which were pioneers in the industry, some of them, will languish. The East will be handicapped, and with its tremendous industry will have as its zone only a small strip of territory along the Atlantic Ocean. To advance beyond the central portion of Ohio into western Ohio or Indiana it will have to assume a handicap in the form of an excessive freight-rate charge.

For a number of years it was practically the only steel-producing center in the United States, and wherever steel was used the consumer or buyer of it had to look to Pittsburgh. Pittsburgh was built upon the basis not of a part but of the entire trade in steel of the country. Endless confusion in prices will result. Communities that are in a flourishing condition, their prosperity being based upon the fact that they were built around a steel plant, will lose their chief industry, and the community will languish because many of them will have to either go out of business or move their plants to new steel-producing basing points, and, as stated above, no company existing will be exempt from the radical changes that will occur except the Steel Corporation, who have plants in all of the basing centers, and who will because of that practically have a monopoly of the market and be the only concern that would not suffer a handicap.

Personally, I believe that the present arrangement of having the single basing point is the best arrangement, because it will allow the development of the steel industry in any city or in any State in the Union that enjoys an advantageous position with regard to fuel, raw material, or labor, and this, after all, is the economic result sought to be attained. Few vicinities have all of the raw material, in fact, none; and while Duluth may have iron ore, she has no coal, while Indiana has plenty of coal and no iron ore and is the center of

population. The situation should be left as near the present arrangement as possible, if the general distribution of the demands for raw material and labor is to be the most uniform throughout our country and if we are to preserve and leave open the door of opportunity to each and every community in our country to develop her industrial life. I can not feel that we would serve our country best by forcing the great army of laborers who work in our steel plants into the congested area of a few great cities and their vicinity. The proposed change could result in nothing else but creating a few great steel-producing centers around which all of the steel plants of the United States would be centered.

Yours very truly,

KOKOMO STEEL & WIRE CO.,
J. E. FREDICK, *Secretary.*

STATEMENT OF NATIONAL BOLT & NUT CO.

PITTSBURGH, PA., *July 10, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: We notice in the trade papers that certain interests are endeavoring to have a Chicago basis put into force on steel bars, etc., in addition to the present Pittsburgh basis.

We believe this is being agitated by the middle west and western hardware jobbers and consumers, etc., with a view to buying both raw and finished material at lower prices than they are now getting, which would benefit them and no one else.

There are quite a few mills in the Chicago territory making bar iron, who at times undersell the steel mills and frequently sell iron bars at the Pittsburgh base price in effect, f. o. b. their mills, which gives the jobber and our competitors who make bolts, nuts, and rivets from iron bars an advantage over Pittsburgh manufacturers in the respect that they purchase iron bars at the same price f. o. b. Chicago and vicinity that we have to pay for steel bars in Pittsburgh.

This gives our competitors an advantage over us of 27 cents per 100 pounds in carload lots and 39 cents per 100 pounds in less than carload lots, same being the freight from Pittsburgh to Chicago, and if they are to be placed in position to purchase iron or steel bars on a Chicago basis, which quite naturally will be lower than the Pittsburgh basis, plus tariff rate of freight to Chicago, then we will be put to a much greater disadvantage than we are to-day.

This company manufactures railroad track bolts, hot-pressed and cold-punched nuts, structural and boiler rivets, and we sell to the largest railroads in the country and have sold at some time or another nearly all the leading roads; in fact, they consume 75 per cent of our entire production, which is approximately 75 to 100 tons daily.

We understand the railroad purchasing agents have instructions to give the preference in placing orders to the manufacturers located at nearest point to the line of their road, and if these instructions are carried out, and no doubt they will be, when prices are practically the same we are placed under greater disadvantage and would be further handicapped by the Chicago basis on raw material, since we can not market our entire production to railroads in this territory, as they can not consume this tonnage; that is, the roads to whom we would naturally sell on account of our geographical position, which makes it necessary for us to seek the business of all railroads in the United States, regardless of their locality.

We are presenting these facts to you because the present Pittsburgh basis appears to us to be the most equitable for all concerned, and we would like to see the long discussion and agitation for Chicago basis eliminated for such time until it can be proven that it will be for the best interests of all concerned to change the present basis.

Yours very truly,

NATIONAL BOLT & NUT CO.

STATEMENT OF DONNER STEEL CO. (INC.).

PHILADELPHIA, *August 27, 1919.*

MR. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Replying to your letter of the 13th instant regarding the question of selling rolled steel on a Pittsburgh basing point basis, we mention various reasons why in our opinion this practice should be continued for the best interests of all concerned:

(*a*) Buyers and sellers have been educated along this line for some time past, and the practice is thoroughly established and understood.

(*b*) The Pittsburgh district is the largest steel-producing district in the United States, and being centrally situated reflects at all times the actual steel market better than any other location. The valleys and other near-by points should be considered as forming a part of the "Pittsburgh district" in considering the tonnage, although rates vary slightly.

(*c*) The custom conforms to good commercial practice both from the standpoint of buyer and seller. This is true especially from the buyer's standpoint, for it enables him to determine instantly the lowest quotation which he has received from several districts as he immediately looks for the lowest quotation "Pittsburgh basis." To establish various basing points, therefore, would complicate the situation exceedingly, as it would be necessary for the buyer, upon

receipt of quotations from various producing points, to determine the freight rates from such producing points to his point of consumption in order to arrive at the lowest quotation which he would then have in hand.

(*d*) There is no steel-producing point which can supply at all times the demand of a given district, and as a consequence buyers of that district are at certain periods forced into other markets, and they naturally look to the greatest producing district—Pittsburgh. For example, under ordinary conditions we enjoy a good share of the business placed in Buffalo and vicinity, but there are times when our order book may become such that we can not meet the demand, and buyers of this vicinity are consequently forced into other districts.

(*e*) The practice certainly encourages legitimate competition, and in this respect is of considerable moment to the buyer, who is always interested in securing competitive bids. There is, however, a certain condition always to be considered, and that is the fact that buyers usually place their business at a time most convenient to their needs, while, on the other hand, the seller's order book changes frequently, thereby developing a situation which would prove serious to the buyer were it not possible for him to go into other districts to secure his requirements. For example, Buffalo mills may be able to meet the demand in this vicinity to-day, but Buffalo buyers may not be placing orders, and the result is that mills fill up with business from other sections, and when buyers are ready to place orders they find the mills of their district sold up, and are forced to place their orders elsewhere.

We have given the question considerable thought, both from the buyer's and seller's standpoint, and can not see any reason why Chicago should be established as a basing point any more than Buffalo, Youngstown, Bethlehem, etc. In fact, we are satisfied that any deviation from the present practice will accomplish no particular good for either buyer or seller, but, on the other hand, will seriously complicate the situation for all concerned.

Yours truly,

W. H. Donner, *President*.

STATEMENT OF W. A. COLLINGS CO.

Kansas City, Mo., *August 27, 1919*.

Federal Trade Commission,
Washington, D. C.

Gentlemen: Referring to General Circular No. 419, issued by Chamber of Commerce of United States of America in relation to the basing point for steel, and your invitation to make a statement to the commission, I beg to state that after 35 years of experience in steel buying (as a small dealer) I do not think of any injustice

brought about by using Pittsburgh as the single basing point for steel prices; in fact, when considering the small buyer as well as the large one, I feel that the single basis has always had a steadying influence on the market, considering all the varying conditions which exist.

I think every steel buyer will agree that after all the most important feature of the matter is service; that is, whether one can get steel when needed, and in my opinion we shall have a hard time getting steel for the next four or five years.

This subject is so intricate and far-reaching and has so many angles (some apparently diametrically opposed to each other) that it is almost impossible to properly present it, and I do think with the present unsettled conditions of labor, building construction, and the steel market it is a very bad time to take up this matter.

We all know there are times when the Chicago mills are crowded with orders and the Pittsburgh mills may be slack. In this case a dealer in the West who had figured on the Chicago basis, and who could not get steel from Chicago but who had contracted to furnish his customer at the Chicago basis price, would either have to get steel from Pittsburgh (on a Pittsburgh basis price) or go without. This would cause constant confusion.

To present my views briefly, may I ask the following questions?

Can we in peace times force any company to sell any commodity at any price we wish?

If we have a double price basis, would it restrict competition by keeping the Chicago mills out of the Pittsburgh district, and vice versa, when competition is just what we want?

How far east of Chicago would the Chicago basis apply?

Would the dealer who bought steel on a Chicago basis sell at a cheaper price than the dealer who bought on a Pittsburgh basis?

How would we arrive at the proper price to charge at Chicago above the Pittsburgh price? (I assume the other basing point would be Chicago.)

At present a small dealer can buy a mixed car of a number of steel products, all carrying the same freight rate, but not made in the same mills, the steel makers carrying stocks in their warehouses for this purpose. A double price basis might stop this, as the mills would not carry stocks, forcing the small dealer to buy a full car of each commodity, some at Chicago, some at Pittsburgh, which, of course, he could not do, as he can not use a full carload of each.

There are at present independent mills at Pittsburgh which make products that are not made in the Chicago district, but which compete with a product made by the United States Steel Corporation mills in Chicago district. If the Chicago two-base price should apply, it would put the independent Pittsburgh mill out of business.

How would it affect the large jobbers, say, in Chicago, who carry large steel stocks, bought either at Pittsburgh or Chicago mills at the present satisfactory single-base price? Suppose the Chicago mills being congested, they had to buy in Pittsburgh at Pittsburgh price and mix with stock bought at the Chicago price. Would this not be most fearfully confusing? How could they make staple quotations to their customers, and would they not have to quote two prices on all steel bought at either Chicago or Pittsburgh? Would this not apply to the local jobber and small dealer also?

There are many steel products that are made in the Pittsburgh mills but which are not made in the Chicago district. What price basis would we use for Chicago district sales?

If we make 2 basing points, say, Chicago and Pittsburgh, why not 8 or 10, such as Sparrows Point, Cleveland, Birmingham, Ala., Dallas, Duluth, Los Angeles, San Francisco, and Seattle? The "plot thickens."

We have a small mill here at Kansas City. What basis would this mill use?

Of course, we must consider the interests of the steel producer, the manufacturer who uses steel, the jobber, the small dealer, and the ultimate consumer; but it appears to me that the parties who are pushing this investigation and who are in favor of a double basis are considering only the ultimate consumer.

All mills can not make steel equally economical; many of the older Chicago mills perhaps would have to shut down if forced to make a less price than the more highly efficient mills at Pittsburgh, with Chicago freight added.

Are we sure that the Chicago mills can make all the steel needed in the Chicago district and in the West? If not, it will be seen what confusion would arise when two dealers compete in the same town—one who buys on the Chicago basis and one who buys on a Pittsburgh basis.

Suppose it should be found that the Chicago mills could not turn out a sufficient amount of any particular kind of steel to fill the Chicago district's needs, then some small dealers (the large jobber would be sure to get his at the lower price) would have to buy at Pittsburgh at the higher price. How could the small dealer stay in business? This applies also to the Pittsburgh district.

Many works in the Chicago district only handle semifinished billets or rods, turning these into the finished products, such as wire, barb wire, nails, etc., buying the raw material on a Pittsburgh base and selling on a Chicago base. If the difference between Pittsburgh and Chicago was not enough, these mills would have to go out of business.

If we make a lower basing price at Chicago than the Pittsburgh price (say 10 cents above Pittsburgh), with freight added to Chicago, what would hinder the mills from raising the price at Pittsburgh to make up for the difference, automatically raising the price at Chicago?

There are many disadvantages which I can see would work against the small dealer (and I am only considering him) if any change is made in the present single Pittsburgh base, and I feel confident any change would put many small dealers out of business (as well as some of the independent mills) by the larger, favored firms being able to get their stock on a Chicago basis, while the small, less-favored dealer would have to get his stock at Pittsburgh on a Pittsburgh basis.

On this account and for the further reason that it would add to the present commercial confusion (when everything should be done to encourage and coax business), I believe it would be very unwise to make any change at the present time.

Yours very respectfully,

W. A. Collings.

STATEMENT OF WEIRTON STEEL CO.

[In the matter of the application of the Western Association of Rolled Steel Consumers for complaint against the United States Steel Corporation and others.]

To the Federal Trade Commission,
Washington, D. C.:

The Weirton Steel Co., a member of the American Iron and Steel Institute, complying with the suggestion contained in the letter of the acting chairman of the Federal Trade Commission to the president of the American Iron and Steel Institute, dated July 26, 1919, in the matter of the application of the Western Association of Rolled Steel Consumers, hereby states its position with reference to said matter, as follows:

1. The Weirton Steel Co. is a corporation of the State of West Virginia engaged in manufacturing rolled steel products; that is, tin plate and hot and cold rolled strip steel. Its tonnage amounts to approximately 350,000 tons per annum. Its plants are located in the Pittsburgh district; that is, at Weirton, W. Va., Clarksburg, W. Va., and Steubenville, Ohio.

2. Pittsburgh is the center of iron and steel production in the United States; that is, at Pittsburgh or the district surrounding it, and of which it may be called the center, the manufacture of iron and steel in the United States on a large scale had its origin and gradually grew to an enormous tonnage, and until a comparatively

recent time the tonnage of steel products in other districts was almost negligible in amount.

3. As a natural result of the iron and steel business having its origin in the Pittsburgh district and gradually growing therein to its present large proportions, a custom grew up of selling steel products on a Pittsburgh base; that is, it became and has for many years been the custom in the trade to quote prices as though delivery by the manufacturer was to be made from Pittsburgh and to add to these prices the freight from Pittsburgh to the point of destination, no matter whether the product was manufactured in and shipped from Pittsburgh or the Pittsburgh district or not. This has been a trade custom of long standing in the business, growing, as above stated, naturally out of the fact that in early days practically all iron and steel produced in the United States was produced in the Pittsburgh district, and continuing down to the present time because of the vast preponderance of Pittsburgh as a steel manufacturing center, and it is not and never was the result of any arrangement, agreement, or understanding among iron and steel producers.

4. In recent years steel has been manufactured in other districts than Pittsburgh in comparatively small quantities. In the district referred to in the application as the Chicago district in the year 1918 less than 20 per cent of the total of finished rolled iron and steel of the United States was produced, whereas in the Pittsburgh district over 70 per cent of this total was produced. These relative tonnages are shown on the schedule hereto attached. With the growth of this production in other than the Pittsburgh district the producers in these other districts adopted and continued the custom hereinabove referred to; that is, sold on a Pittsburgh base. But, as above stated, they did so simply by way of conforming to a long-established custom and not by reason of any understanding, agreement, or arrangement among themselves or other producers.

5. The adoption, growth, and continued use of said custom shows that it was needed in and beneficial to the business. It tends to standardize and simply the business and to allow and bring about a wider distribution of rolled-steel products from all producing districts, and its abolition would tend to create confusion, would restrict distribution, would disturb existing labor rates in all producing districts, and would increase costs and cause loss and injury to producers, while it would in no respect benefit consumers, but, on the contrary, would likewise cause them loss and injury. As producers, the Weirton Steel Co. respectfully represent that said custom is of vital importance to the industry and should not be abolished or in any way impaired.

6. This custom does not in any way affect the price to the consumer. The producer, no matter where located, quotes a price which meets competition, and quoting on a Pittsburgh base does not prevent him

from doing so. The fallacy of the position of the applicants lies in the contention that the producer in the Chicago district should sell his product to a consumer in the Chicago district for less than the producer in the Pittsburgh district charges to such a consumer, because, as it is alleged, the Chicago producer can produce steel for as low a cost as the Pittsburgh producer, and, therefore, by selling for the same price and having a less freight charge to pay, he is making a larger profit than the producer in the Pittsburgh district. In other words, it is claimed that if a consumer in the Chicago district has to pay as much for the steel he buys from a Chicago producer as the Pittsburgh producer charges, the Chicago producer is getting an unreasonable profit, and it seems to be contended that the Federal Trade Commission should fix the Chicago producer's price so that such unreasonable profit shall not be obtained. But even if it is true that the profit which is thus realized by the Chicago producer is unreasonable (which, however, we deny), it is a profit he realizes not because of the Pittsburgh basing point custom, but because his location near the Chicago market gives him an advantage, and in making use of it he is not in any way violating the Federal Trade Commission act, nor the Clayton Act, nor any other act or law. The advantage is a natural one, due solely to his location and not to the Pittsburgh basing point custom, and would exist even though the custom were abolished; and we submit that what the applicants are seeking from the Federal Trade Commission is the fixing of prices upon the Chicago producers' products in such a way as to take away this natural advantage.

7. The demand for rolled-steel products in the Chicago district is vastly greater than the amount produced by the Chicago producers, probably twice as great. In consequence, a large part of the consumption in the Chicago district must be supplied from the Pittsburgh district. It necessarily follows that the prices charged by Pittsburgh producers to the consumers in the Chicago district are the prices the Chicago producers have to compete with; and if the Chicago producers charge the same prices, they do so not because of the Pittsburgh basing-point custom but because the Chicago production is less than the Chicago demand and because the Chicago consumer has to buy in large part from Pittsburgh. The law of supply and demand has free play and is in no wise affected by the custom of selling on a Pittsburgh base. Whenever the Chicago demand falls off so that the Chicago production is greater than the Chicago demand, the Chicago producer has to lower his price in order to take the business from the Pittsburgh producer. When this demand increases and can not be supplied from Chicago, the Chicago producer can ask and get the same amount charged by the Pittsburgh producer, even though it gives him a larger profit than the Pittsburgh producer realizes. But it is not true that under such

circumstances the Chicago producer increases his price by fictitious freight rates or by reason of the Pittsburgh basing-point custom, and any increase he receives is due, as above stated, to the natural play of the law of supply and demand.

8. There is no discrimination in the price of steel due to this custom. If a Chicago fabricator, desiring to buy steel for use in the Pittsburgh district, tries to buy from a Chicago producer and finds he has to pay a higher price than he would have to pay to a Pittsburgh producer, it is not because of any discrimination, but because the Chicago producer has a demand for all his products at the higher price, and certainly is not due to the Pittsburgh basing-point custom. And in any event there is absolutely no discrimination either by the Chicago producer or the Pittsburgh producer against the Chicago fabricator or in favor of the Pittsburgh fabricator. We deny that Chicago producers by reason of said trade custom sell to competitors of the applicants at a less price than they make to applicants or other fabricators located in the Chicago district, and we aver that the fact is that the applicants are asking for a discrimination in price in their own favor; that is, a lower price from Chicago producers than these producers charge to Pittsburgh competitors of the applicants.

9. We deny that rolled steel is produced in the Chicago district at substantially lower cost than in the Pittsburgh district, and aver that, even if it is, the advantage of the Chicago producer arising therefrom would not be taken away from him by abolishing the Pittsburgh basing custom. We deny that the greatest normal growth and increase in iron and steel production under peace conditions will be in and about Chicago, and aver that even if it is, it will be a long time before Chicago has the preponderance Pittsburgh now has, and, in consequence, a long time before Chicago should be made the basing point instead of Pittsburgh, if any change should be made; and that in any event such a change should come about as the natural result of the shifting of the center of trade and not by arbitrary action in the face of the laws and customs of the trade.

10. It is not true that the Pittsburgh basing point custom adds a large and arbitrary increase to the price of rolled steel over and above the cost of production and a reasonable profit, or that the price is any greater than it would be if this custom did not exist, or that the price is increased by a large fictitious freight rate.

11. We respectfully submit that nothing alleged in the application shows the violation of any law or sets up a matter over which the Federal Trade Commission has jurisdiction; that nothing so alleged shows an unlawful restraint of trade or a price discrimination contrary to the antitrust acts or to section 2 of the Clayton Act or

otherwise; that nothing so alleged shows unfair competition in trade contrary to the provisions of section 5 of the Federal Trade Commission Act or otherwise; that nothing so alleged shows any injury to the applicants or to others in their business; but that it clearly appears that the sole and only ground of complaint is that the applicants are charged by Chicago producers for rolled-steel products manufactured in the Chicago district more than they think they ought to pay, and are asking the Federal Trade Commission to fix the prices at which Chicago producers shall sell their products, and to that end are also asking that a trade custom of long standing and of vital importance to the trade be abolished in the hope that the result will be lower prices for these products, whereas in fact the abolition of this custom would create confusion in the trade, increase costs, and lead to higher prices.

Wherefore we respectfully request that the petition be dismissed.

WEIRTON STEEL CO.,
By E. F. WEIR, *President.*

WEIL & THORP,
Attorneys for Weirton Steel Co.
CHARLES M. THORP,
Of Counsel, 821 Frick Building, Pittsburgh, Pa.

SCHEDULE.—*Production of all kinds of finished rolled iron and steel by districts for year 1918.*

Pittsburgh district (including Buffalo)	22, 379, 436
Chicago district	6, 037, 690
All other districts	2, 728, 628
Total	31, 145, 754

STATEMENT OF WHEELING STEEL & IRON CO.

WHEELING, W. VA., *August 28, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: We beg to advise that we are members of the American Iron and Steel Institute and are in receipt of a copy of your letter of July 26, addressed to Mr. E. H. Gary, president of the institute.

We desire to call your attention to the statement issued by the Weirton Steel Co., fully covering this situation, and to advise that we heartily indorse the conclusions arrived at therein.

Yours respectfully,

JNO. DUNCAN,
Vice President and General Manager of Sales.

STATEMENT OF CENTRAL TUBE CO.

PITTSBURGH, *September 1, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Referring to the application you have received from the Western Association of Rolled Steel Consumers for the issuance of a complaint against the United States Steel Corporation and others, which application alleges that the practice of selling rolled-steel products solely on a Pittsburgh price basis is unfair, we are not producers of rolled steel, but as wrought pipe and rigid electrical conduit such as we do manufacture are made from rolled steel and our interests would likely be affected eventually, we are setting forth below our reasons for believing that the present selling plan should continue unchanged.

As we understand this petition the applicant desires and recommends one of the following changes:

(*a*) Sole basing point at Chicago.

(*b*) Basing points only at Chicago and Pittsburgh.

(*c*) Basing points at Chicago, Pittsburgh, and possibly other steel-producing centers.

CHICAGO AS SOLE BASING POINT.

It is our conviction that if Chicago were made the sole basing point, the result would be just the reverse of what the applicant is striving for, because statistics given in the following paragraphs of this letter indicate that about two-thirds of all the finished rolled iron and steel material produced in this country is produced by mills in New York, Pennsylvania, Ohio, and West Virginia, and that the States of Michigan, Wisconsin, Minnesota, Illinois, and Indiana produce less than one-fifth.

To the best of our knowledge, information, and belief the major portion of this material is consumed in the northeastern section of the United States, where the freight rates from Chicago to destination are greatly in excess of the rates from Pittsburgh to destination. This would mean that with Chicago as the sole basing point the average price to the consumer would be much higher because those buyers in the section of the country where the bulk of the tonnage is consumed would have to pay, in addition to their present cost, the difference between the freight rates from Pittsburgh to destination and Chicago to destination.

CHICAGO AND POSSIBLY OTHER BASING POINTS IN ADDITION TO PITTSBURGH.

First. We do not believe that having two or more basing points would result in lower prices to consumers as a whole in the long run because, assuming, for the sake of argument, that numerous basing

points would restrict each group of steel manufacturers to its particular district or zone, the tendency would likely be toward higher prices in that zone to compensate for lost trade and because the element of competition would be removed.

Second. It is our belief that steel manufacturers would not be contented with the trade possibilities of their legitimate zones, but that all manufacturers would seek a market in all zones in order to enjoy the same proportion of the total trade as in the past, e. g., the Chicago group of producers would invade the zone of the Pittsburgh group of producers and vice versa. This would result in the same price to consumers in each zone and such price would probably be as high as before because each group of manufacturers would have to absorb the freight to the other zone and the average price could not be lowered without reducing the average profit. The industry could not thrive without a fair return, and we do not understand that the lessening of average profits is under discussion or is sought for.

Third. There would be no better reasons for making Chicago a basing point than for making basing points of Birmingham, Buffalo, Youngstown, Cleveland, Philadelphia, Duluth, Minneapolis, Wheeling, Steubenville, Milwaukee, Pueblo, and many other cities where large steel producers are located. The most cogent argument against establishing basing points at one or more of the foregoing centers in addition to Pittsburgh is that the United States Steel Corporation has producing units at several of these points, and they would consequently reap the benefit, whereas manufacturers like ourselves with only one plant would be severely penalized. With the manifold advantages already enjoyed by the United States Steel Corporation, we believe that further preferment to that corporation would be inimical to the public welfare.

Fourth. So far as our product is concerned, we believe that changing the basing points would result in no end of chaos with the distributors as well as with the producers, because there would be no common basis as exists to-day on which the distributers could determine their resale prices. This would disrupt the present resale scheme and would result in endless confusion.

Fifth. We have received through the Pittsburgh Chamber of Commerce the following data showing the production of rolled iron and steel products in gross tons:

State.	1917	1918
New York (principally in Buffalo district)	1,492,769	1,640,182
Pennsylvania	15,018,871	13,836,445
West Virginia	831,594	731,477
Ohio	6,141,465	6,171,332
Total	23,484,699	22,379,436

Pittsburgh has been the recognized basing point since the early days of the steel industry and is internationally known as the Steel City of America.

Pittsburgh might be considered the heart of the eastern group of States above mentioned which, according to the figures given, produced about 65 per cent of the country's total during 1917 and about 71 per cent during 1918.

Chicago might be considered the heart of Michigan, Wisconsin, Minnesota, Illinois, and Indiana, which group of States, we are told by the Pittsburgh Chamber of Commerce, produced only about 18 per cent of the country's total in 1917 and about 19 per cent in 1918.

In the light of these illuminating statistics, further argument or comment would seem superfluous.

The steel industry is already faced with many disturbing factors resulting from war conditions, and it would seem unwise to add to this disturbance by changing the present basis for selling steel products, and we therefore submit that no complaint against the respondents should be made.

Yours very truly,

CENTRAL TUBE CO.,
W. F. INGALS,
General Manager of Sales.

STATEMENT OF INDIANA BRIDGE CO.

[In re the application of the Western Association of Rolled Steel Consumers for the establishment of Chicago as a basing point for the price on rolled steel product.]

MUNCIE, IND., *August 29, 1919.*

FEDERAL TRADE COMMISSION,
Hon. Victor Murdock, Acting Chairman, Washington, D. C.

GENTLEMEN: We desire to avail ourselves of the opportunity which you have offered for anyone interested in the above application to submit a written statement for your consideration.

This company is engaged in the fabrication of structural steel for buildings, bridges, viaducts, and other engineering structures and has been established in the city of Muncie, Ind., since 1887. We are buyers of rolled steel products, and one of the principal considerations in the location of this plant in Muncie was to enable us to serve this particular territory quickly with our product. The iron and steel industry was then principally located at Pittsburgh, which was probably the cheapest point of production, and rolled steel was sold without exception with Pittsburgh as a basing point.

We believe that our situation is comparable with many others involving the investment of millions of dollars, and all of these would be adversely affected by any change of price basing on rolled steel

products at this or any future time. We believe that the injury which a considerable number of established industries would suffer as a result of any change of basing point is of greater importance to this country than the benefit that would accrue to a comparatively few industries so situated as to secure benefit from the change of basing point.

All of the members of the petitioners' association established their plants with the knowledge that Pittsburgh was the sole basing point for rolled steel products, and should not now, in our opinion, be entitled to benefit through the intervention of your Commission to change a custom of long standing which all men have heretofore accepted as a standard and established themselves and the institutions accordingly. The consequence to the stockholders of this institution, if the application of the petitioner be granted, will be serious indeed, and we sincerely hope that the application of the petitioners will be denied.

Very respectfully,

INDIANA BRIDGE CO.,
By J. L. KIMBROUGH,
General Manager and Treasurer.

STATEMENT OF THE REPUBLIC IRON & STEEL CO.

[In the matter of the application of the Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.]

BEFORE THE FEDERAL TRADE COMMISSION.

Republic Iron & Steel Co., appearing by leave of the Federal Trade Commission and responding to the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others, states:

1. That the custom of selling steel at the Pittsburgh base, plus freight to destination, was established by Pittsburgh producers of steel in competition and not by agreement at a period when but little steel was made elsewhere, and this custom has been generally followed by producers in all other districts because the Pittsburgh district's competition is recognized as the dominant market influence for the following reasons:

(*a*) That Pittsburgh is the only district which produces all grades and kinds of steel and the only district having sufficient competition locally to determine a basis price without agreement.

(*b*) That the Pittsburgh district is not only the center of production but also the center of consumption because the great consuming sections of the United States are east of the Mississippi River and

north of the Ohio River and east of the Allegheney Mountains. Pittsburgh's geographic position is naturally tributary to these sections.

(c) The Pittsburgh district is one of the cheapest locations for the production of steel in the United States, because it is the center of the great metallurgical coal fields and also is the center of the steam and gas coal fields, and as it requires 2½ tons or more of these coals to produce a ton of finished steel this fact enables Pittsburgh to carry 2 tons of iron ore to Pittsburgh plants and convert the ore into steel cheaper than other districts, regardless of their proximity to iron ore, because such districts as Chicago must ship their coking coal from fields of West Virginia and Pennsylvania by either rail or lake and part of the season by all rail. Therefore Chicago and other sections suffer an excess cost of assembling their raw material for conversion into steel. Furthermore, the Chicago district and other western districts are under the disadvantage of longer hauls on other supplies, such as manganese ores, which are largely imported through the Atlantic seaboard, and in addition to this are not so thoroughly self-contained on such other supplies as casting machinery, refactories, hardware, and various other supplies, such as metaloids, etc.

2. That the greatest normal growth of steel production will be or has been in the Chicago district is controverted by production statistics, for out of a total United States production of steel ingots for the year 1918 of 43,051,022 gross tons the Chicago district produced 7,570,193 gross tons, or only 17½ per cent of the total steel production of the United States, whereas the Greater Pittsburgh district produced 19,519,642 gross tons, or over 45 per cent of the total steel production of the United States.

3. Pittsburgh, with its predominant production and variety, its cheapness of product, and also because of its many competitive producers have always naturally qualified Pittsburgh as a basing point, and for this reason the custom of selling steel f. o. b. Pittsburgh is a natural custom and an economic necessity.

4. It is true that the Pittsburgh base has not always been maintained because during periods of business depression, and for other reasons affecting demand at any given producing point where supply is in excess of demand, producers under such conditions, in order to protect their operations whether located at Chicago, Buffalo, Cleveland, Youngstown, or elsewhere, have sold and doubtless will continue to sell again at prices which discount Pittsburgh freight rates and, in fact, without profit, frequently at a loss, as in 1914 and 1915 and other periods.

5. Steel is not the only product enjoying the distinction of having a base market; in fact, the practice is quite common for such

steel supplies as spelter, pig tin, coke, iron ore, and manganese, which are generally sold as follows:

Manganese, f. o. b. Atlantic seaboard,
Pig tin, c. i. f. England,
Spelter, f. o. b. East St. Louis,
Coke, f. o. b. Pittsburgh,
Iron ore, f. o. b. Lower Lake port,

and in addition to these:

Flour, f. o. b. Minneapolis,
Wool, f. o. b. Boston,
Cotton, f. o. b. New Orleans,
Coffee, f. o. b. New York,
Copper, f. o. b. New York,
Plate glass, f. o. b. Pittsburgh,

and other products in a like manner.

6. That the Pittsburgh base has built up excessive profits for the Chicago district mills is not indicated by the published financial statements of the respondent companies, although it may be admitted that these companies have enjoyed large profits, at times, but not unfairly large when compared with the earnings published by other companies located at Pittsburgh, Youngstown, Johnstown, Bethlehem, and elsewhere.

7. With the custom long established of using the Pittsburgh base as a "yardstick" of measure for determining competition, rather than for the suppression of competition, capitalists all over the United States have invested millions of dollars in steel and iron fabricating plants in reliance on this custom, and to change this custom arbitrarily or in any other manner would throw the iron and steel business, railroad rates, and labor into great confusion; in fact, chaos, commercially, would result.

8. It is further claimed that Chicago could not be made a basing point, except by an agreement which contemplated fixing a base price, because there is no sufficient competition, variety of products, or tonnage to establish Chicago as a basing point by the free play of competition, as is the case at the Pittsburgh base, and what is true of Chicago is equally true of Birmingham, Duluth, Cleveland, Youngstown, Buffalo, and other producing points. Therefore more than one base is neither practical nor economic.

9. Complainants charge in the twelfth paragraph of their application "that the prices named therein are made by agreement or understanding amounting to agreement between the respondents or between respondents and other producers of steel in order to maintain prices of rolled steel and particularly to maintain such increased and unreasonable prices in and throughout said Chicago district to the members of the applicant and other consumers therein." In so far as this an-

swering company is concerned, it denies that the prices mentioned in said paragraph 12 are the result of agreement or understanding amounting to agreement between the respondents and other producers of steel, and further says that the prices at which it sells its commodities in the Chicago district or in any other districts in the United States violates no provision of the Clayton Act nor any of the Federal antitrust acts.

We therefore submit that the application for a complaint should be denied.

REPUBLIC IRON & STEEL CO.,
By JNO. A. TOPPING,
Chairman, 17 Battery Place, New York City.
R. JONES, Jr.,
General Attorney, Youngstown, Ohio.

NEW YORK CITY, *August 25, 1919.*

STATEMENT OF THE MORRIS & BAILEY STEEL CO.

PITTSBURGH, PA., *August 28, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman, Federal Trade Commission, Washington, D. C.

DEAR SIR: On behalf of our company we desire to protest against the establishment of more than one freight basing point for steel products. We favor Pittsburgh as the sole basing point and believe if Chicago is made a basing point it will add confusion to the situation.

Yours very truly,

THE MORRIS & BAILEY STEEL CO.,
G. B. MORRIS, *Secretary.*

PROTEST OF THE YOUNGSTOWN SHEET & TUBE CO., OF YOUNGSTOWN, OHIO.

[In the matter of application for a change in the Pittsburgh basing point for steel products.]

BEFORE THE FEDERAL TRADE COMMISSION OF THE UNITED STATES.

The Youngstown Sheet & Tube Co., of Youngstown, Ohio, a manufacturer of iron and steel and their products, manufacturing a million tons of various finished steel products per year, and whose plant is situate at Youngstown, Ohio, files this, its protests, against the establishment of Chicago as a basing point in addition to Pittsburgh, or, in other words, against fixing the same base price for steel products at Chicago as at Pittsburgh, upon the ground and for the reason that the entire fabric of the steel trade through a process of natural development has been built upon the Pittsburgh basing point, and any change therefrom at this time would necessitate a readjustment of the long-established business practices of the pro-

ducer, distributor, and consumer of steel products, and would entail great inconvenience and loss to all.

The effect of such a change upon the producer is quite apparent. The effect upon the fabricator, distributor, and consumer is no less real and serious. Their plants in many instances have been located in various districts in reliance upon the long-established use of Pittsburgh as the basing point, and any change therefrom would in many instances affect them very unfavorably.

The use of Pittsburgh as the basing point is not the result of any agreement, express or implied, nor does this trade practice violate the Clayton Law or the Sherman Act. It is the pure result of the natural development of the steel trade.

This company was organized in 1900, long after the practice referred to became settled. In constant reliance upon that practice the plant was located at Youngstown, and has since been enlarged and improved until the company now has a total investment of $100,000,000 and employs over 15,000 men.

A great part of the success of this company is due to the fact that the Chicago and western markets have been open to it. To change the basing point, as suggested, would mean the closing, to a large extent, of the Chicago and western markets to this company, with a resultant loss in business and injustice to this company, its employees and stockholders.

While the existing condition is, as above pointed out, the result of natural development of the steel business and is not the result of any unlawful act or acts, yet the thing which the Commission is asked to do, viz., to fix Chicago as a basing point, would be an unlawful act, would result in a concert of action by agreement, and would work to the detriment of long-established businesses which have grown up in free competition and in reliance upon the status of the steel industry, as it has developed according to natural laws and conditions.

Assuredly, this should not be done to give an advantage either, on the one hand, to the Chicago consumer or, on the other hand, to the manufacturer who happens to have steel plants located at both Pittsburgh and Chicago.

It would also result in demoralizing the trade. If Chicago were made a basing point, the consequent detrimental results to producers, distributors, and consumers located in other districts would from time to time require the naming of other basing points until practically every community commanding a substantial steel trade would have to be made its own basing point. This would mean chaos in the business, and it would be well-nigh impossible for either the producer, distributor, or consumer to make any intelligent comparison of quotations or to ascertain market prices.

In conclusion, we wish to emphasize that should the Federal Trade Commission fix the same base price for steel products at Chicago as at Pittsburgh it would itself thereby be fixing a price on steel products which it has no authority or jurisdiction to do under the act which creates it, and which action, in addition, would be a direct violation of the letter and spirit of the antitrust laws.

Wherefore, The Youngstown Sheet & Tube Co. respectfully asks that no change be made in the basing point.

Respectfully submitted.

THE YOUNGSTOWN SHEET & TUBE CO.,
By J. A. CAMPBELL, *President.*

STATEMENT OF THE CHAMBER OF COMMERCE OF PITTSBURGH.

PITTSBURGH, PA., *August 29, 1919.*

To the CHAIRMAN AND MEMBERS
FEDERAL TRADE COMMISSION,
Washington, D. C.

DEAR SIRS: Kindly permit us to place before you the statement of the Chamber of Commerce of Pittsburgh in regard to the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others on the question of Pittsburgh as a basing point for steel, which statement is comprised in a joint report of our committees on trade and commerce and transportation and railroads, unanimously adopted by our board of directors and unanimously ratified by a well-attended special meeting of the members of this organization held this day as follows:

Application has been made by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others regarding the practice of using Pittsburgh as the sole basing point in quoting prices on steel. This subject was referred to your committees on trade and commerce and transportation and railroads, jointly, and your committees after careful consideration believe that the Chamber of Commerce should protest against any change being made in the basing point for the prices of steel for the following reasons:

Whereas the Pittsburgh iron and steel district has always been the largest producer of iron and steel in the United States; and

Whereas it has by common usage been the practice of all manufacturers of iron and steel, on account of the great preponderance of production of iron and steel in the Pittsburgh district, to make Pittsburgh the basing point for prices of iron and steel; and

Whereas the practice of making the Pittsburgh district the basing point for iron and steel, by reason of its very large production, existed by common usage many years before the United States Steel Corporation and other large steel interests were organized or located in the Chicago district; and

Whereas a basing point is a trade necessity looking to the development, stimulation, and stabilization of business and is necessary to enable the buyer to compare quotations; and

Whereas in establishing a basing point we are removing, as far as possible, obstacles to the free movement of merchandise from manufacturer to consumer, as when all prices are quoted f. o. b. the basing point a comparison of prices is all that is necessary, the freight being equalized; and

Whereas two or more basing points will work an injury to industry as a whole, will mean a division into districts, and interfere with the buyer placing his orders to advantage with the manufacturers best fitted to meet his needs, thus restricting competition; and

Whereas Pittsburgh, first the sole basing point, is the foundation of the steel industry, and by reason of location and tonnage output is the logical sole basing point, Pittsburgh will always remain a basing point, and as two or more basing points tend to restrict competition, it should remain the sole basing point: Be it therefore

Resolved, That the Chamber of Commerce of Pittsburgh file with the Federal Trade Commission its formal protest against any change being made in the sole use of Pittsburgh as a basing point in naming prices on iron and steel.

Respectfully submitted.

A. C. TERRY, *Secretary*.

STATEMENT OF THE STARK ROLLING MILL CO.

[The application by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and its subsidiary companies, hereinafter named, and the Inland Steel Co. and the Interstate Iron & Steel Co. and the Steel & Tube Co. of America.]

CANTON, OHIO, *August 26, 1919*.

MR. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Our understanding is that the application described in the subject is based on the assumption that the old-established trade custom of using Pittsburgh, Pa., as a freight-basing point restricts competition and works an injustice on the signatories to the application. We consider that the complainant has failed to establish sufficient reason why the application should be given favorable consideration for the following reasons:

1. The selfish reason is very apparent.

2. The present users of rolled steel in all sections, at least the overwhelming majority of them, have established their business under the condition now complained of. A change now, therefore, would be a manifest injustice to such established industries. It would impose a hardship not considered and nonexistent when such industries were established.

3. It is based on an erroneous assumption that such change would of necessity reduce prices. On the contrary, it would secure practically a monopoly on western trade for the manufacturers of rolled steel located in what might be termed the Chicago district.

4. It would restrict rather than increase competition, for the rolled-steel manufacturers located in eastern districts could not absorb the excess freight.

5. Assuming that the profit of all manufacturers of rolled steel should reach a point where it would be possible for them to assume such excess freight, competitive conditions in any event permit such absorption if the manufacturer so desires.

6. The favored manufacturers of rolled steel in the Chicago district would not find it necessary to absorb the entire difference in freight, and the consumers would not, therefore, secure the benefit they imagine would be secured by this change.

7. The application is unquestionably based on a misconception of facts. The custom of using Pittsburgh as a basing point is only a convenience which indicates to the possible buyer just exactly what he is actually paying for his goods regardless of where his factory or warehouse may be located. There is not and never has been, except by the direction of the Government during the late war, any uniform price on rolled-steel products, and no attempt has ever been made to establish a uniform price. Prices on these products are subject to competitive conditions and to variations in cost of production. When cost of production is in proper relation to market conditions there is nothing under present conditions to prohibit any manufacturer, no matter where the mill may be located, in absorbing the difference in freight east or west. In other words, there is no more reason why the Western Association of Rolled Steel Consumers should complain of a basing point at Pittsburgh than there is reason for eastern consumers of the same products to complain of a basing point established at Chicago. If there is any injustice to the western consumers with basing point established at Pittsburgh, there would be equal injustice to eastern consumers with a basing point established at Chicago.

To sum up, the application is based, as stated, on an assumption of a condition which does not exist and which there is no probability will ever exist.

Very truly,

THE STARK ROLLING MILL CO.,
JOHN N. REMSEN,
Assistant General Sales Manager.

STATEMENT OF THE MANSFIELD SHEET & TIN PLATE CO.

MANSFIELD, OHIO, *August 13, 1919.*

HON. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

MY HONORABLE SIR: In response to the application from the Western Association of Rolled Steel Consumers for the issuance of a complaint by your commission against the United States Steel

Corporation and others, relating to "the practice of selling rolled steel on a Pittsburgh basing-point basis," we have this to say:

The practice of using Pittsburgh as a basing point on all iron and steel shipments may possibly not be defended as a strictly logical principle, yet the custom dates back to the time when the industry really started in Pittsburgh. No doubt at all that was the cheapest point of production and the cheapest point for the assembling of raw material, hence the cheapest place for production.

If the iron and steel industry should discontinue the use of Pittsburgh as a basing point there is no logical reason why every community in the United States where iron and steel are produced should not be made a separate basing point.

If only the Chicago district were concerned, then a solution might be found. It requires no prescience to conclude that other regions such as Birmingham, Ala.; Pueblo, Colo.; Cleveland, Ohio; Youngstown, Ohio (and the entire Mahoning valley); many other points in the State of Ohio; Philadelphia, Pa.; Duluth, Minn.; Wheeling, W. Va.; Buffalo, N. Y.; the New England section, and others will set forth claims for basing points. This would certainly bring about a very chaotic condition. Skilled labor on sheet and tin mills are compensated upon a sliding scale basis; as an example, when the price of sheet steel advances 5 cents per 100 pounds, the men's wages automatically advance 2½ per cent, and reductions accordingly. Therefore the wages of the thousands of men employed by the industry are standardized, and if each locality should have a different basing point, you will readily see that it will be the means of bringing about a condition which will dissatisfy these men. The consuming trade have established their business to meet the existing conditions, and any radical changes would certainly disturb all relations with the mills as well as with all of the buyers. The ultimate result would be that every producer and consumer would be largely limited to their own particular zones, thus cut off largely from other centers by freight rates. In our own case, assuming Chicago as a basing point, we could not absorb the freight from Mansfield to Chicago district without loss. The establishment of Chicago as a basing point would certainly act as a hardship to every independent manufacturer of steel, and the only company which would have any advantages under such conditions would be the United States Steel Corporation, with its many subsidiary companies scattered in practically all of the above-mentioned centers. This in itself is reason enough for not disturbing the present arrangement. While theoretically every community should enjoy the advantages and suffer the disadvantages of its natural geographical location, other industries not having been established upon this basis, the question becomes

one of weighing the advantages which would be derived from a change against the disturbance which would result, especially at a time when the industries are faced with a solution of many disturbing factors resulting from war conditions.

Your Commission no doubt will find this to be a more complicated matter to determine—what you must avoid doing than to determine what you ought to do if the way were clear. Almost anything you might be disposed to do would be likely to involve you in something else. For instance, if you should order Chicago district mills to sell f. o. b. Chicago at f. o. b. Pittsburgh price, you will be ordering one mill to sell at another mill's price. It might be difficult to draw a line and avoid, in substance, ordering one Pittsburgh mill to sell at another Pittsburgh mill's price. Eventually your Commission would be fixing prices for the entire iron and steel industry. If there were deviations, whom would the Commission punish—those who sold below the set price or those who exacted a higher price?

Should the decision merely be that a mill must not quote on a remote basis, but only f. o. b. the respective mill, there would be a change in form but not in substance. The mills would take the Pittsburgh price, add the freight to destination point, deduct the freight from its mill, and quote the resulting price at the mill.

Summing up the entire situation, no one is now injured when buying on one common basing point, viz, f. o. b. Pittsburgh. Why change? It seems advisable to leave well enough alone, making no attempt to destroy or change the established market center of the country.

Yours very truly,

THE MANSFIELD SHEET & TIN PLATE CO.,
F. W. BEACH, *General Manager of Sales.*

STATEMENT OF ATLANTIC STEEL CO.

ATLANTA, GA., *August 23, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: I am in receipt of copy of your letter of July 26 to E. H. Gary, Esq., president American Iron and Steel Institute, inviting written statements from steel companies with reference to the complaint which has been filed with the Federal Trade Commission relative to the practice of selling rolled steel articles based on Pittsburgh.

In this connection, I have just read copy of the statement dated August 13, 1919, which the Gulf States Steel Co., of Birmingham,

Ala., has filed with your commission. I do not see how I could more forcibly present this whole matter, so I wish to acquiesce in and make this statement a part of my answer in so far as it may apply.

The Atlantic Steel Co. is located in Atlanta, Ga., 190 miles from Birmingham, Ala., the nearest source from which it can procure its supplies of coal and iron. The distance from Pittsburgh to Atlanta is 788 miles. When this plant was built in 1906 it was contemplated that it would have an advantage in price over Pittsburgh equal to this difference in freight from Pittsburgh to destination and from Atlanta to destination. For instance, the rate on nails from Pittsburgh to Montgomery, Ala., is 57 cents per 100 pounds, while the rate from Atlanta to Montgomery is 19 cents per 100 pounds, so that in selling nails in Montgomery this company will absorb a difference of 38 cents per 100 pounds. This practice also applies to the other products which this company makes, viz: Various wire products, bars, hoops, bands, cotton ties, etc.

Using Pittsburgh as a basing point in selling steel is a custom or practice which has been established for many years, owing to the very great advantage which it had over other sections of the country in the assembling of raw materials and the organization which it had built upon around its mills. If it should be decided that Pittsburgh can no longer be used as a basing point for steel products made in other sections of the country, it will work a great hardship upon this company, if not totally destroy its property, amounting to between \$4.000,000 and \$5,000,000, for it is not in position and probably never will be to compete successfully with other sections that are more favorably located with reference to raw materials. This will also apply to a very large number of small mills located in various sections of the country remote from the Pittsburgh district and which never would have been built except for the advantage which they gained by using Pittsburgh as a basing point.

The building and operation of isolated mills remote from natural resources prevents congestion and expedites distribution of finished products, besides offering to communities employment which would not otherwise be the case, but all of this has been covered in the report referred to.

In view of these facts, and the many other reasons mentioned in the report, I do not see how your honorable body can undertake to change a plan of operation which has worked successfully for a great number of years, and about which there can be and is so little complaint. All of which is respectfully submitted.

Yours very truly,

Thos. K. Glenn, *President*.

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STATEMENT OF THE WEST VIRGINIA RAIL CO.

HUNTINGTON, W. VA., *August 23, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: A copy of your favor of the 26th ultimo, addressed to E. H. Gary, Esq., president American Iron and Steel Institute, has been sent us, and we wish to voice our objection to moving the basing point on steel products from Pittsburgh.

For your information we beg to advise that our plant is one which buys all of its raw material and has practically no source of raw material except from points located far away from the plant.

Our raw material is old rails purchased from railroad companies, and at this particular time shell steel purchased at the different points located in mills and ports of shipment.

In other words, we are compelled to pay an incoming freight on almost every pound of material which we roll.

We are in competition with other mills for the purchase of this material, some of these mills being located at Pittsburgh, and if we were not in position to take advantage of our location with reference to freight on the sale of some of our products it would be very injurious to us, and at times this difference is more than the actual profit made by us on some of the material which we sell.

For instance, only a week or two ago we purchased a lot of shell steel which was located in the Pittsburgh district and on which we had to pay a freight of $3 per ton.

Now, if we had to sell the finished product coming from this material without getting the advantage of our location in freight and would have to compete with Pittsburgh mills selling at the same price f. o. b. mill as the Pitsburgh concern, you can readily see that we would not have been able to purchase this material and ship it into Huntington, and this would also apply to most of the material bought by us. And, as stated above, unless we had this advantage in selling in this district we would practically be put out of business.

We feel that if a basing point is changed from Pittsburgh to some other point and a precedent established it would not be long until some other community would want a basing point there also, and in a short time each mill would be a basing point and all material would be sold f. o. b. the mill at wherever point, all prices being the same.

We feel that this is an economic question and that these prices are adjusted by economic conditions and conditions of supply and demand and competition, and we do not feel that any arbitrary action should be taken to make an arbitrary basing point and remove it from Pittsburgh.

We do not think that the Pittsburgh basing point is one that has been arbitrarily made, at least we have no knowledge to this effect, and we believe that the Pittsburgh basing point is one that is brought about naturally by the conditions, and we are of the opinion that it can not be changed by any arbitrary action, as it would be against the economic laws to do so.

Our plant is very much freight ridden on incoming material, but it is located here because it serves a territory better than plants farther removed, and if it were not in position to get the advantage of its location on finished materials, I don't believe it would continue to operate, because this advantage only offsets a disadvantage of the incoming material.

Very truly yours,

The West Virginia Rail Co.,
D. C. Schonthal, *Sales Manager.*

STATEMENT OF CRAWFORDSVILLE WIRE & NAIL CO.

Crawfordsville, Ind., *August 21, 1919.*

Mr. Victor Murdock,
Acting Chairman Federal Trade Commission,
Washington, D. C.

Dear Sir: Relative to your circular letter of July 26, copy of which we have just received from the American Iron and Steel Institute, regarding the Pittsburgh freight basing point, beg to advise that we believe if Pittsburgh basing point was discontinued it would work a hardship on the smaller manufacturers who purchase their raw material.

The Pittsburgh basing arrangement has worked so satisfactorily for years, and the trade is accustomed to figure their delivered prices based on Pittsburgh, that several basing points to work on would work a hardship on the retailer as well as the manufacturer and jobber, and as we see it a manufacturer could not expand and could only take such business as he might be in position to secure in near-by territory or equalize freight with the nearest basing point such as Chicago.

In our case we would have to pay freight on our steel from Chicago district to our city, ship it back again finished, and sell at a delivered price, or equalize freight. This would probably net us a loss on the close margin we are compelled to operate.

We believe that changing the basing point from Pittsburgh to Chicago or any other western point would disrupt the entire steel industry.

Yours truly,

Crawfordsville Wire & Nail Co.,
C. D. Voris, *General Manager.*

STATEMENT OF THE READING IRON CO.

READING, PA., *August 19, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman the Federal Trade Commission,
Washington, D. C.

GENTLEMEN: In reference to the complaint received by your honorable Commission from the Western Association of Rolled Steel Consumers regarding the discontinuance of Pittsburgh as a basing point, I beg to advise that the continuance of this practice is of vital importance to this company.

The raw material consumed by us in the manufacture of our product, which consists of wrought-iron pipe and tubing, comes almost exclusively from the coal regions of western Pennsylvania and the ore mines of the Lake regions, placing us at a distinct disadvantage with our principal competitiors, all of whom are located in the Pittsburgh district. Furthermore, 75 per cent and upward of our finished product is shipped to the West and Southwest, passing through Pittsburgh, placing us at a further disadvantage in the matter of freight in the distribution of our product as compared with our competitors.

We are pleased to note that we may have the opportunity of attending the public hearings in this matter and trust that our plea will have the consideration of the Commission.

Yours very truly,

L. E. THOMAS, *President.*

STATEMENT OF BETHLEHEM STEEL CO.

[In the matter of the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.]

BEFORE THE FEDERAL TRADE COMMISSION.

Bethlehem Steel Co., by leave and at the suggestion of the Federal Trade Commission, files this statement with reference to the application of the Western Association of Rolled Steel Consumers for a complaint against United States Steel Corporation and others, and says:

The question presented by the petition herein affects the following three classes of manufacturers of iron and steel:

(*a*) Those whose only mills are in the Chicago district, such as Inland Steel Co., Interstate Iron & Steel Co., and Steel & Tube Co. of America, which are named as respondents in the petition;

(*b*) Those whose only mills are in the Pittsburgh district or in other districts east of the Chicago district, such as Jones & Laughlin Steel Co., Bethlehem Steel Co., Cambria Steel Co., Lackawanna Steel Co., and Republic Iron & Steel Co.; and

(*c*) Those which have mills in both the Pittsburgh district and the Chicago district or which have subsidiaries that have mills in the Pittsburgh district and other subsidiaries that have mills in the Chicago district. United States Steel Corporation seems to be the only company coming within this class.

This statement is prepared from the point of view of the manufacturers of class (*b*); that is, those who do not have mills in the Chicago district.

I.

The use of the so-called "Pittsburgh base" is simply a convenient method of quoting prices, and the abolishing of that base or the establishing of other bases would not affect prices but would cause confusion and inconvenience in the steel industry.

There seems to be a great deal of confusion of thought with the petitioner herein about the purpose and effect of the use of the so-called "Pittsburgh base" in connection with the prices of steel and iron. As a matter of fact the use of the Pittsburgh base has nothing whatever to do with, and has no influence upon, the prices which manufacturers of steel charge for their products. It is simply a convenient method of quoting prices—convenient to both the manufacturer and the purchaser. Its use in no way affects the freedom of each manufacturer to make any price he chooses in any territory.

In using the Pittsburgh base in quoting prices the manufacturer simply states to a prospective customer in a given territory in effect that the price of the product offered is so many dollars per ton plus an amount equal to the freight between Pittsburgh and the point of delivery. The use of this base gives precisely the same result to customers as if each manufacturer were to quote prices f. o. b. the point of delivery or f. o. b. mill, because in any case the ultimate price would be computed on the basis of the price at the mill plus freight to the point of delivery. The objection to quoting prices f. o. b. the point of delivery is that manufacturers would have to make extended computations based on varying freight rates. The objection to quoting prices f. o. b. mill is that similar computations would have to be made by the customers before they would be able to compare quotations. With the use of the Pittsburgh base, however, manufacturers can readily make quotations, and customers can compare with equal ease the quotations of different manufacturers, since the freight from Pittsburgh to a given point is the same for each customer.

Manifestly, if a manufacturer in the Pittsburgh district wishes to make a low price for delivery in the Chicago district in order to take the business from the mills in that district, all he has to do is to make a low price f. o. b. Pittsburgh. His freedom to make a low price is

just as great when the price consists of a price at Pittsburgh and the freight to the point of delivery has to be added as when it consists of a price at the point of delivery in which the freight is included, although not shown as a separate item.

If the use of the Pittsburgh base in quoting prices were abolished, prices paid by the customers would, upon the last analysis, be made up in just the same manner as before; that is, in every case they would include two elements—the price which the manufacturer fixes for his product at his mill and the freight to the point of delivery.

The charge that the use of the Pittsburgh base in quoting prices is the result of a combination or understanding between steel manufacturers hardly calls for serious consideration. Bethlehem Steel Co. does not have any agreement or understanding amounting to an agreement with any one or more of the respondents named in the petition herein, or with any other producer of steel, for or covering discriminations in price between purchasers of rolled steel in the Pittsburgh district or elsewhere or for the maintenance of prices of rolled steel in and throughout the Chicago district to members of the petitioner herein or to other consumers in such district; nor does it believe that any such agreement or understanding between said respondents, or any of them, or between any of them and any other producer or producers of steel exists.

The Pittsburgh base has been used in quoting prices almost from the beginning of the steel trade in this country and is thoroughly understood by both manufacturers and purchasers. It is a matter of common knowledge that the custom of quoting prices f. o. b. Pittsburgh was established more than half a century ago, when practically all the steel of the country was manufactured at Pittsburgh. It has been continued to the present time by force of habit and custom as well as because of its convenience to all concerned, notwithstanding the development of new centers for the manufacture of steel at Chicago and elsewhere. It fits present conditions because in normal times the Pittsburgh district is still the largest producer of iron and steel in the country.

It is therefore submitted that to forbid the use of the Pittsburgh base in quoting prices for steel and iron products would result merely in great inconvenience to the steel trade, not only to manufacturers but to purchasers, and would benefit no one.

II.

The real question raised by the petition is whether it is unlawful for a manufacturer who has mills in both the Chicago district and the Pittsburgh district to sell the products of his Chicago mills in the Chicago district at prices higher than those at which he sells the

products of his Pittsburgh mills in the Pittsburgh district, although the cost of the products in both districts is the same.

As we understand the petition and the matters complained of, the real question raised is not the propriety of using the Pittsburgh base in quoting prices for rolled-steel products, but is found in the charge that the respondents discriminate in the price of such products in favor of competitors of members of the petitioner herein who are located in the Pittsburgh district or the territory east of the Chicago district and against such members and other consumers of rolled-steel products located in the Chicago district in violation of section 2 of the Clayton Act, it being asserted that the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in the particular line of commerce. We do not believe that respondents, Inland Steel Co., Interstate Iron & Steel Co., and Steel & Tube Co. of America, which have mills only in the Chicago district, quote different prices to different purchasers within any given district which come within the prohibition of such section 2, although such prices may be the cost of the production of the products plus freight from Pittsburgh to the point of destination. If this be so, then the charge applies only to United States Steel Corporation (assuming, as charged, that its subsidiaries, Illinois Steel Co. and Carnegie Steel Co., act under its direction and control), because its subsidiaries in the Chicago district sell the products of their mills to consumers in that district at prices higher than is charged for the products of its subsidiaries in the Pittsburgh district to consumers in the Pittsburgh district, although, as is alleged, the cost of production is no greater in the Chicago district than in the Pittsburgh district.

It is apparent that this charge against United States Steel Corporation in no way involves the propriety of the use of the Pittsburgh base in quoting prices, because the result would be the same whether the price charged in the Chicago district were (*a*) the price charged in the Pittsburgh district plus $5 as the freight from Pittsburgh to Chicago, or (*b*) a price $5 per ton higher than the price for the same product in the Pittsburgh district. The resulting price to the consumer would be the same in either case.

We are, therefore, brought face to face with the question whether the practice of United States Steel Corporation (treating the matter as if it owned and operated the mills of its subsidiaries) in charging higher prices for its products in the Chicago district than it charges in the Pittsburgh district is in violation of section 2 of the Clayton Act. For the reasons stated in Subdivision V hereof, the decision of this question will vitally affect the steel manufacturers

whose mills are in other districts and the steel trade and business generally.

III.

If the practice complained of be declared a violation of section 2 of the Clayton Act the effect would be to prevent a manufacturer from taking advantage of the favorable location of his mills with respect to his competitors and the operation of the law of supply and demand, to fix prices and to restrain rather than promote competition.

It seems too clear for argument that a manufacturer whose only mill is in the Chicago district is free to charge any price he can obtain under the competitive conditions prevailing in that district, even though his profit be larger than that of the manufacturer in the Pittsburgh district who sells his product in that district or in the Chicago district, provided, of course, that the effect of any discrimination in price (if it shall not be within the exceptions stated in section 2 of the Clayton Act) may not be substantially to lessen competition or to tend to create a monopoly. Presumably the purpose of the manufacturer in locating his mill in the Chicago district was to gain an advantage over the manufacturer whose mills were located in the Pittsburgh district or elsewhere at a considerable distance from Chicago and who in making prices for the Chicago district has to consider the item of freight.

It is equally clear that the manufacturer whose mill is in the Pittsburgh district is free to make any price that may be necessary to effect the sale of his products in the Chicago district under the competitive conditions prevailing in that district, even though that price, less the freight from Pittsburgh to Chicago, be lower than his Pittsburgh price, because the effect of such sales can hardly be to lessen competition or to tend to create a monopoly. He is certainly free to make any reduction in price necessary to meet the competition of the manufacturers of the Chicago district; otherwise, there would be a restriction of competition and the manufacturers having mills in the Chicago district would have an unfair advantage.

The same results should follow in the case of a manufacturer who has plants in both the Pittsburgh district and the Chicago district. Such manufacturer should be free to secure for the products of his mill in the Chicago district the best prices obtainable under the competitive conditions in that district, even though the products of his mill in the Chicago district are sold at higher prices and at better profit than the products of his Pittsburgh mills marketed in the Pittsburgh district.

If United States Steel Corporation can get a higher price in the Chicago district for the products of its mills in the Chicago district

than for the products of its mills in the Pittsburgh district, it is not because of the Pittsburgh base, but because competitive conditions make the higher price possible. The fact is that the mills in the Chicago district do not supply even one-half of the steel consumed in that district. The remainder must come from the mills outside of that district, chiefly those in the Pittsburgh district; the cost of the products of which to consumers in the Chicago district must of necessity include the freight from the mills to the point of delivery in the Chicago district. Therefore, in normal times the prices charged by the manufacturers in the Pittsburgh district for their products delivered in the Chicago district will necessarily control prices in the Chicago district, even though the result may be that the manufacturers in the Chicago district make a larger profit upon their product than is made by those in the Pittsburgh district.

If the time shall ever come when the mills in the Chicago district have sufficient capacity to supply all the needs of that district and can continue to manufacture as cheaply as the mills of the Pittsburgh district, then the owners of the mills in the Chicago district in normal times will naturally have the trade of that district to themselves and the owners of the other mills will be excluded from competition.

It thus appears that the difficulty which the Chicago district fabricators experience in doing business outside of their own territory is due not to the effect of the use of the Pittsburgh base in quoting prices or to any discrimination in price on the part of the manufacturers against the Chicago district, but to the fact that their fabricating plants are located in the Chicago district, which does not produce enough steel to supply their demands, and the fact that steel shipped from Pittsburgh (from which a very large part of the steel consumed in the Chicago district must come) costs in the Chicago district several dollars more per ton to the manufacturers than steel produced at mills in the Chicago district. Such fabricators are able to compete in the Chicago district on somewhat better than equal terms with the eastern fabricators, because the freight rate paid by the eastern fabricators upon their finished product from their mills to points in the Chicago district is higher than the freight rate paid by the Chicago fabricators on the steel which enters into their finished product.

IV.

What the members of the petitioner desire is a fixing of prices which will result in enlarging their field of competition and narrowing the field of competition of their competitors, this without reference to the effect upon competition generally.

In the last analysis, what the Chicago fabricators are seeking is not to secure relief from a discrimination in price against them, but to secure a discrimination in price in their favor, so that they may be able to enlarge their territory and overcome the handicap now resulting from the fact that the price of steel is higher in Chicago than in Pittsburgh, a handicap which, as has been already pointed out, is due solely to competitive conditions and not to any arbitrary fixing of prices by the manufacturers or to discrimination. A fabricator in St. Louis, where there is no steel mill, might with equal justice complain of his inability to compete with the Chicago fabricator because the cost of his fabricated steel to the Chicago consumer would necessarily be increased by the freight from St. Louis to Chicago.

The members of the petitioner obviously desire to be able to buy at the Pittsburgh price all the steel produced in the Chicago district, and to buy from the Pittsburgh district at the Pittsburgh price, plus freight, enough additional steel to meet their demands. As the freight rate on rolled steel is less than that on fabricated steel, it would be impossible for Pittsburgh fabricators to compete in the Chicago district at all. The members of the petitioner, on the contrary, would then have not only a protective tariff amounting to the difference between the freight rate on rolled steel and that on fabricated steel, but also, to the extent that they could purchase rolled steel in the Chicago district at the Pittsburgh price, a protective tariff amounting to the entire freight rate on fabricated steel from Pittsburgh to Chicago. They would thus be able to establish a complete monopoly in their district, and it may well be questioned whether they would not resist any attempt to restrict their selling price to cost plus a reasonable profit.

If United States Steel Corporation were forbidden to sell in the Chicago district the output of its mills in that district at a price higher than that at which it sells in the Pittsburgh district the output of its mills in that district, or, to put it more positively and concretely, were required to sell in the Chicago district the products of its mills in that district at a price not to exceed cost plus a reasonable profit, the result to the members of the petitioner would not be what they seek. What the result would be would depend on where United States Steel Corporation sold the products of its mills in the Chicago district. If it chose to sell those products to consumers outside of the Chicago district, the condition complained of would continue, or would, perhaps, be made worse. If it chose to sell to consumers in the Chicago district, the effect would be to lessen competition. The other manufacturers in the Chicago district would not find

it necessary to lower their prices until the capacity of the mills of United States Steel Corporation in the Chicago district should be increased, so that their products would be sufficient substantially to meet the demand of that district, for they could continue with their existing prices to compete successfully with the manufacturers in the Pittsburgh district and other districts east of the Chicago district. Until such mills had so increased their capacity, competition between fabricators in the Chicago district would be very much disturbed and confused, if not substantially lessened: First, because only favored fabricators would get the lower priced steel, with the result that instead of all the fabricators being in competition for construction work in the Chicago district they would be divided into two classes, the favored fabricators and the others, the second of which could not compete with the other; and, secondly, because, with the price of steel in the Chicago district fixed lower than the law of supply and demand requires, the tendency would be to prevent the manufacturers (other than United States Steel Corporation) whose mills are outside of the Chicago district and who now compete with the manufacturers whose mills are located in the Chicago district from continuing to bid for the Chicago business. By reason of this shrinkage in their source of supply the fabricators in the Chicago district would find that their field of competition was a correspondingly more restricted one and that such increased restriction would continue, at least until the supply of the mills of United States Steel Corporation in the Chicago district had been exhausted.

Even if all the manufacturers in the Chicago district could be required to sell at the lower price, it is apparent that in normal times the same unfavorable conditions would obtain. Although the confusion at such times might be somewhat less, it would still exist, and not only the fabricators but the ultimate consumers, i. e., the owners, would experience unnatural and unfair results. One owner putting up a building, whether for purposes of sale or rent, would necessarily have to pay more for his building than another, because the one would have to pay more for his steel than the other. The latter will have been artificially favored.

It is submitted that the law of supply and demand should not be disturbed and that the incentive to invest money in steel mills in the Chicago district should not be diminished. The policy of our laws has been to allow the law of supply and demand the fullest play and to protect its operation from the interference of artificial influences. The petition herein seeks to disturb it, and we believe that injury is bound to result.

V.

Why steel producers generally are interested in the decision of the question involved.

The question may be asked why the steel manufacturer whose only mills are in the Pittsburgh district or elsewhere outside of the Chicago district is interested in the question involved herein, inasmuch as the granting of the relief sought would affect only United States Steel Corporation, which through its subsidiaries has mills in both the Pittsburgh and Chicago districts. The answer is simple. The mills of manufacturers of iron and steel have been located at the particular places because their owners have seen some advantage in locating them there. This advantage may be because of nearness to the ore or coal supply, or because of favorable transportation rates on raw material or finished products, or because the supply of finished products manufactured in a particular district was small compared with the demand therefor. Undoubtedly most of these reasons caused the owners of the mills in the Chicago district to locate them there. A prohibition against taking advantage of a favorable location could not be limited to United States Steel Corporation in respect of the mills of its subsidiaries in the Chicago district, and if it should be decided that none of the manufacturers in that district can be allowed to take advantage of their favorable location or, in other words, that the operation of the law of supply and demand must be restricted, then similar applications by consumers of steel in other districts would inevitably follow with similar decisions, and similar confusion and disturbance would result all over the country.

This precedent, once established, could not be limited in its application to manufacturers of iron and steel, but on applications which would surely be made by consumers of other products would necessarily have to be applied to other manufacturers, with the result that the natural laws upon which business has been founded since the beginning of civilization would be upset. The effect of such a decision would be far-reaching. The advantages which induce investments in plants being negatived, loss of such investments to a considerable extent at least would follow and business chaos might well be expected.

The effect of the application of such a precedent upon the structure of the freight rates of the country should also be considered. That structure has been built up with a view to promoting competition by equalizing competitive conditions to the largest extent consistent with the interests of the carriers. If the principle upon which the granting of the relief sought by the petitioner herein must be based were logically applied to all the business of the country, a readjustment of freight rates would necessarily follow and the confusion mentioned above would be greatly increased.

We sincerely trust that this Commission will not venture even a short way upon such a course, but will promptly decide that the business success of the country requires that the freest play be given to the law of supply and demand and will, therefore, dismiss the application herein.

Dated August 28, 1919.

Respectfully submitted.

BETHLEHEM STEEL CO.,
By E. G. GRACE, *President.*

CRAVATH & HENDERSON,
Council, 52 William Street, New York City.

PROTEST OF THE TRUMBULL STEEL CO., OF WARREN, OHIO.

[In the matter of the application for a complaint and a change in the Pittsburgh basing point for steel products.]

To the Honorable the FEDERAL TRADE COMMISSION OF THE UNITED STATES:

The Trumbull Steel Co., of Warren, Ohio, a manufacturer of open-hearth ingots, blooms, billets, slabs, and sheet bars, sheet and tin-mill products of every description, black and galvanized sheets, formed roofing products, tin and terne plate, blue annealed sheets, long terne sheets, hot and cold rolled strip steel, producing 300,000 tons of such products annually, and whose plant is situated at Warren, Ohio, less than 15 miles west of Youngstown, makes this its protest against the establishment of Chicago as a basing point in addition to Pittsburgh, or in changing said basing point therefrom, and as its grounds and reasons therefor says that the entire steel trade in its natural development has been located and builded upon the Pittsburgh basing point; that this established custom grew up to remedy the confusion that had long existed by having other and different basing points variously situated.

This company was organized in 1912, long after the custom had grown up in the development of the steel business, and had become an established law of the business and a fixed rule of the trade. In reliance upon this tried and fixed custom, the plant of this company was located in the Pittsburgh district at Warren, Ohio, 80 miles west of Pittsburgh, and has since been enlarged, extended, and improved until it now has a paid in capital of $20,000,000 and employs over 5,000 men.

Its success has been due to its location and its access to the Chicago and western markets. A change of the basing point would result in the confusion that existed before the establishment of the present practice, which has been found so fair and advantageous, and in the consequent loss and disadvantages to the business of this and other

companies grounded upon it. The present practice is violative of no statutory law now or at any time existing, and is not productive of unfair competition in any sense. The change of the tried and long-existing basing point, if attended with any benefits whatever, would result in infinitely more harm with its resultant damages and losses than any probable or possible good.

Wherefore, The Trumbull Steel Co. desires to enter this, its protest, and respectfully asks that no change be made.

Respectfully submitted.

The Trumbull Steel Co.,
By Wm. W. McTate,
Vice president.

STATEMENT OF THE BOLT, NUT & RIVET INSTITUTE.

Pittsburgh, Pa., *September 2, 1919.*

Hon. Victor Murdock,
Acting Chairman Federal Trade Commission,
Washington, D. C.

Dear Sir: On behalf of the Bolt, Nut and Rivet Institute, I beg leave to say:

The membership of institute is attached hereto.

1. The members of the institute are buyers of rolled-steel products to the extent of over 594,941 net tons per annum.

2. The members of the institute are sellers of finished bolts, nuts, and rivets to the extent of over $65,000,000 per annum.

3. At the regular meeting of the institute held in Pittsburgh August 20, 1919, there were represented 23 companies, as per attached list. Fifteen members were unrepresented, probably on account of the midsummer period.

4. The 23 companies represented voted unanimously and without an expression of a single qualifying comment in favor of the following propositions:

A. As buyers of rolled-steel products, the industry favors Pittsburgh as the sole basing point.

B. As sellers of finished products, the industry favors Pittsburgh as the sole basing point.

5. The reason why the industry favors Pittsburgh as against Chicago or any other single basing point is because the iron and steel industry has long been accustomed to Pittsburgh as a basing point and many plants producing both raw and finished materials have been established on the assumption that Pittsburgh is and would continue to be its basing point.

6. Otherwise there would be no particular objection to using Chicago or any other conveniently located city as a basing point. But

there are serious objections to the using of more than one basing point.

Probably all buyers of iron and rolled-steel products will agree that if there is to be one basing point it should be Pittsburgh, and the overwhelming majority will agree that there should be but one basing point.

Yours very truly,

THE BOLT, NUT AND RIVET INSTITUTE.
N. J. CLARKE, *President.*
By C. M. BEST, *Secretary.*

MEMBERS OF THE BOLT, NUT AND RIVET INSTITUTE.

American Equipment Co., Norristown, Pa.
Atlas Bolt & Screw Co., Cleveland, Ohio.
Bayonne Bolt & Nut Co., Bayonne, N. J.
Bethlehem Steel Co., Bethlehem, Pa.
Bourne-Fuller Co., Cleveland, Ohio.
Boss Nut Co., Chicago, Ill.
Buffalo Bolt Co., Buffalo, N. Y.
Champion Rivet Co., Cleveland, Ohio.
Clark Bros. Bolt Co., Milldale, Conn.
Columbus Bolt Works Co., Columbus, Ohio.
Falls Rivet Co., Kent, Ohio.
Foster Bolt & Nut Manufacturing Co., Cleveland, Ohio.
Garland Manufacturing Co., West Pittsburgh, Pa.
Graham Nut Co., Pittsburgh, Pa.
Hoopes & Townsend Co., Philadelphia, Pa.
Illinois Car & Manufacturing Co., Hammond, Ind.
Interstate Iron & Steel Co., Chicago, Ill.
Kansas City Bolt & Nut Co., Kansas City, Mo.
Kirk-Latty Manufacturing Co., Cleveland, Ohio.
Lake Erie Bolt & Nut Co., Cleveland, Ohio.
Lamson & Sessions Co., Cleveland, Ohio.
E. B. Lanman & Co., East Chicago, Ind.
Lebanon Valley Iron & Steel Co., Lebanon, Pa.
Maryland Bolt & Forge Co., Baltimore, Md.
Michigan Bolt & Nut Works, Detroit, Mich.
Milton Manufacturing Co., Milton, Pa.
National Screw & Tack Co., Cleveland, Ohio.
Neely Nut & Bolt Co., Pittsburgh, Pa.
Pittsburgh Rivet Co., Pittsburgh, Pa.
Pottsville Bolt Co., Pottsville, Pa.
Reed & Prince Manufacturing Co., Worcester, Mass.
Russell, Burdsall & Ward Bolt & Nut Co., Port Chester, N. Y.
Scranton Bolt & Nut Co., Scranton, Pa.
Sandusky Nut Co., Sandusky, Ohio.
St. Louis Screw Co., St. Louis, Mo.
Standard Bolt Co., Columbus, Ohio.
S. Severance Manufacturing Co., Glassport, Pa.
Upson Nut Co., Cleveland, Ohio.

MEMBERS PRESENT AT MEETING OF THE BOLT, NUT, AND RIVET INSTITUTE HELD AT THE WILLIAM PENN HOTEL WEDNESDAY, AUGUST 20, 1919.

American Equipment Co., Norristown, Pa.
Bayonne Bolt & Nut Co., Bayonne, N. J.
Bethlehem Steel Co., Bethlehem, Pa.
Bourne-Fuller Co., Cleveland, Ohio.
Buffalo Bolt Co., Buffalo, N. Y.
Champion Rivet Co., Cleveland, Ohio.
Clark Bros. Bolt Co., Milldale, Conn.
Columbus Bolt Works Co., Columbus, Ohio.
Falls Rivet Co., Kent, Ohio.
Foster Bolt & Nut Manufacturing Co., Cleveland, Ohio.
Graham Nut Co., Pittsburgh, Pa.
Kansas City Bolt & Nut Co., Kansas City, Mo.
Kirk-Latty Manufacturing Co., Cleveland, Ohio.
Lake Erie Bolt & Nut Co., Cleveland, Ohio.
E. B. Lanman & Co., East Chicago, Ind.
Michigan Bolt & Nut Works, Detroit, Mich.
Milton Manufacturing Co., Milton, Pa.
National Screw & Tack Co., Cleveland, Ohio.
Pittsburgh Rivet Co., Pittsburgh, Pa.
Russell, Burdsall & Ward Bolt & Nut Co., Port Chester, N. Y.
Scranton Bolt & Nut Co., Scranton, Pa.
Standard Bolt Co., Columbus, Ohio.
Upson Nut Co., Cleveland, Ohio.

STATEMENT OF THE EASTERN STEEL CO.

POTTSVILLE, *September 15, 1919.*

VICTOR MURDOCK, Esq.,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: We have your acknowledgment of September 5 of the receipt of a copy of our letter addressed to Judge Gary upon the subject indicated above. Having received the inquiry from Judge Gary, our response was addressed to him. Otherwise we would have set our views directly before the Commission.

We believe there can be no doubt as to the general demoralization that is likely to follow the abolition of the basing-point plan. As it is now believed better results for consumers follow selling prices for raw materials which are maintained within reasonable limits of variation, it seems clear that removal of the steadying influence of the basing point must necessarily result adversely for the buyers. We strongly deprecate the removal of the basing-point method and believe that the interests of the public would be best served by the continuance of the present conditions.

Yours very truly,

THE EASTERN STEEL CO.,
By E. L. HERNDON, *Treasurer.*

STATEMENT OF THE EASTERN STEEL CO.

POTTSVILLE, PA., *August 30, 1919.*

ELBERT H. GARY, Esq.,
President American Iron and Steel Institute,
61 Broadway, New York City.

DEAR SIR: Your circular letter of August 4, accompanied by a copy of a letter addressed to you, under date of July 26, by Hon. Victor Murdock, acting chairman, has been received.

Mr. Murdock's letter relates to a communication received from the Western Association of the Rolled Steel Consumers, in which certain allegations relating to the practice of selling rolled steel on the Pittsburgh basis are made.

There are many plants where it is necessary to assemble raw materials from remote points of origin. Iron ores and coke, in the case of blast furnaces, and coal, in the case of steel works, are widely separated and are brought together at what have seemed to be the best locations for the manufacture of the finished product from these raw materials. All of these industries have grown up under the present basing-point system. Much hardship would follow in these cases should the present system be abolished without opportunity to attempt to find some method of compensation of the loss which would result.

It is of greater importance, however, to give consideration to the situation of the purchasers and users of rolled steel as affected by any change in the present basing point. As the present custom of stipulating Pittsburgh base has been in existence for a very long time, all buyers are accustomed to it and would regard any change with disfavor unless it was obvious that it would operate to their notable advantage. It seems reasonably plain that if additional basing points are established the buyers in the immediate vicinity of any specified basing point will not benefit in consequence. The producers in such an area will undoubtedly sell their merchandise for the maximum obtainable. This would naturally be limited by the price at which producers in other basing-point areas could make delivery to buyers in the district first mentioned. If a number of basing points are established, we may confidently expect to presently see as many basing points as there are producing plants. The natural consequences of this would be diversity of opinion as to selling price and the probable impossibility of maintaining prices at any generally recognized level. It seems to us apparent that consumers of rolled steel not only would not benefit by such a proposed change, except in perhaps a few isolated cases. We may naturally expect a less desirable situation than now exists.

We wish to enter our earnest protest against making any change which will result in diminishing the usefulness of Pittsburgh base

in the territory east of Pittsburgh. If a hearing is to be given by the Federal Commission, we would like to have the privilege of having a representative present.

Yours very truly,

THE EASTERN STEEL CO.,
By E. L. HERNDON, *Treasurer.*

STATEMENT OF McKEESPORT TIN PLATE CO.

[In the matter of the application of the Western Association of Rolled Steel Consumers for complaint against the United States Steel Corporation and others.]

McKEESPORT, PA., *August 29, 1919.*

To the FEDERAL TRADE COMMISSION,
Washington, D. C.:

In compliance with the suggestion contained in the letter of the acting chairman of the Federal Trade Commission to the president of the American Iron and Steel Institute, dated July 26, 1918 [(?) 1919], in the matter of the application of the Western Association of Rolled Steel Consumers, hereby states its proposition with reference to said matter as follows:

1. The McKeesport Tin Plate Co. is a corporation existing under the laws of the State of Pennsylvania engaged in manufacturing rolled-steel products; that is, tin plates. Its tonnage amounts to approximately 225,000 tons per annum. Its plant is located in the Pittsburgh district, at McKeesport, Allegheny County, Pa.

2. In this connection we wish to specifically call your attention to the statement of the Weirton Steel Co., which we think covers the whole question, and we are frank to confess that we do not know of anything we can add to the statement made by these people. Therefore, in order to avoid overburdening you with a like statement, and which at best would only be a reiteration of the statement filed by the Weirton Steel Co., we wish you to please be advised that the statement of the Weirton Steel Co. has our unqualified indorsement, and we would be pleased, therefore, if you will consider the statement referred to as representing our position in this matter.

Respectfully submitted.

McKEESPORT TIN PLATE CO.,
E. R. CRAWFORD, *President.*

STATEMENT OF AMERICAN STEEL CO.

PITTSBURGH, PA., *August 29, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

DEAR SIRS: We herewith desire to confirm the position taken by the Weirton Steel Co. in the matter of the application of the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others.

Our plants are located in the Pittsburgh district, and we view the combined action of said association as an indirect violation of the Sherman Antitrust Act because it is an effort upon the part of a collection of individuals to arbitrarily compel us to base our prices Chicago.

Yours truly,

AMERICAN STEEL CO., PITTSBURGH, PA.,
M. B. KELLY, *President.*

STATEMENT OF SUPERIOR STEEL CORPORATION.

PITTSBURGH, PA., *September 4, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: The Superior Steel Corporation are manufacturers of hot and cold rolled strip steel.

The products of the Superior Steel Corporation are used for many and various purposes, namely, typewriters, adding machines, aeroplanes, automobiles, bicycles, chains, builders' hardware, cutlery, etc.

The Superior Steel Corporation are large consumers of steel billets and slabs, purchases aggregating approximately 125,000 to 150,000 gross tons per year.

The sales of the Superior Steel Corporation aggregate approximately 100,000 to 140,000 net tons of hot and cold rolled strip steel per year.

As buyers of steel billets and slabs, the Superior Steel Corporation favors Pittsburgh as the sole basing point.

As sellers of hot and cold rolled strip steel, the Superior Steel Corporation favors Pittsburgh as the sole basing point.

The Superior Steel Corporation favors Pittsburgh as against any other single basing point, for the reason that after years of experience in the iron and steel industry the trade has designated Pittsburgh as the basing point, and we are of the firm belief that business is much better equalized by having one basing point, and that the one basing point should be Pittsburgh.

The reason why the Superior Steel Corporation favors Pittsburgh as against Chicago or any other single basing point is because the iron and steel industry has long been accustomed to Pittsburgh as a basing point, and many plants producing both raw and finished material have been established on the assumption that Pittsburgh is and would continue to be the basing point.

It is our opinion that the great majority of buyers of iron and steel products will agree that Pittsburgh should be the sole basing point.

Very truly yours,

C. H. FORSTER, *Vice President.*

STATEMENT OF PITTSBURGH STEEL CO.

PITTSBURGH, PA., *September 4, 1919.*

MR. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Our mills are located at Monessen, Pa., about 38 miles from Pittsburgh, and at Glassport, Pa., about 20 miles from Pittsburgh.

Our products for sale are pig iron, steel billets, hoops, bands, cotton ties, and wire products.

Monessen, Pa., and Glassport, Pa., are in what is known as the Pittsburgh district, and the freight rates east and west are the same as from Pittsburgh excepting to places within a few miles from our mills.

Our business is done in all States of the Union and in many foreign countries.

In the main, our products are sold f. o. b. Pittsburgh, but sales are also freely made f. o. b. our mills, or delivered at destination as in our judgment may seem wise or necessary to meet competition and market our goods to the best advantage.

So far as we can determine, our customers are not desirous of a Chicago basing point on our products, nor would we care to sell on a Chicago basis. To us it seems purely a commercial question. To meet the competition of mills in Chicago or other places, such as Worcester, Mass.; Bethlehem, Pa.; Johnstown, Pa.; Buffalo, N. Y.; Cleveland, Ohio; Youngstown, Ohio; Ironton, Ohio; Pueblo, Colo.; Atlanta, Ga.; and Birmingham, Ala.; we must give to our customers such prices, terms, and conditions as will make our goods cost them no more than our competitors' prices, terms, and conditions laid down at destination.

The practice of quoting on f. o. b. Pittsburgh basis is a simple and convenient means of comparing prices for both the buyer and the seller, and has prevailed for many years. The buyer and the seller would be greatly confused, annoyed, and inconvenienced and in no way benefited if an additional basing point were made. The establishment of one new basing point would, in our opinion, inevitably lead to many more, until eventually every place where steel is produced would have its own basing point. The result would be chaotic.

We are strongly in favor of the present method of making quotations not alone by virtue of its long standing usage, but because it is most logical, sensible, and convenient. We believe that the establishment of a Chicago basing point would in the long run benefit neither buyer nor seller. This was once tried and abandoned. The movement of commodities and prices will follow the supply and the

demand. The basing point does not determine the price of the commodity; it is only a means or rule by which to measure the price.

For these reasons we favor the retention of Pittsburgh as the sole basing point for prices on steel products and enter our protest against the establishment of any additional basing point.

Yours truly,

PITTSBURGH STEEL CO.
JOHN BINDLEY, *President.*

STATEMENT OF KNOXVILLE IRON CO.

KNOXVILLE, TENN., *September 4, 1919.*

Hon. VICTOR MURDOCK,
Acting Chairman Federal Trade Commission,
Washington, D. C.

DEAR SIR: Owing to my being absent from the city for so very long, I have been unable to answer your letter of the 26th to Elbert H. Gary, president American Iron and Steel Institute, copy of which was sent to us. This letter refers to the question of other basing points for iron and steel, whether it should be Pittsburgh or some other point. Replying to this letter, beg to advise as far as our company is concerned, it would be suicidal if the Birmingham basis were forced upon us. In explanation of this, beg to submit the following:

All manufacturing plants try to secure a favorable location for building their plant. After this location has been chosen and the plant built and the plant is denied the advantages secured on account of its location, such denial is bound to work a hardship on that plant and weaken such particular plant's individuality in the industry. The question which comes up before a plant is located is, Shall we locate the plant close to the raw material or close to our finished market? In our case, notwithstanding the fact that it takes 3 to 4 tons of raw materials to make 1 ton of finished iron, we chose our location away from our raw material and close to our finished market, believing it to be to our customers' best interest to get quick delivery of their requirements. We buy scrap iron in Mobile, New Orleans, Texas, Carolina, Florida, and are compelled to pay a high freight rate on this material to bring it to Knoxville, and we have to compete in buying this material with the eastern mills, having an ocean freight rate from the Gulf and Atlantic coast to the Pittsburgh or eastern Pennsylvania district. We buy practically all of our pig iron from Birmingham and have to pay the freight on the raw material to Knoxville. We buy most of our ore in the Carolinas and Georgia and our furnace sand from Ohio River points. We pay big freight on all these items, and this freight enters into

the cost of the manufacture and selling, and we therefore could not possibly sell as low as mills located in the Pittsburgh district, where the materials are cheap and handy. The mills located in Indiana and Illinois have an advantage over us in being able to secure the best material in large quantities and low prices. Please understand that nothing we use in the manufacture of our bar iron that we produce from the ground at or near our plant; everything must be bought and brought here from a distance, and there is no possible chance of our company or mills in the South staying in business if the Birmingham base is established on bar iron.

Further, we believe that all other manufacturers of our line of goods and also their customers are perfectly satisfied to have the Pittsburgh basing point for prices. We hope, therefore, that the Commission will decide to let the basing point remain at Pittsburgh, where it has been for a great many years.

Yours truly,

W. P. Davis, *General Manager.*

STATEMENT OF THE CARNAHAN TIN PLATE & SHEET CO.

Canton, Ohio, *August 7, 1919.*

Victor Murdock, Esq.,
Acting Chairman,
Federal Trade Commission, Washington, D. C.

Dear Sir: Through the courtesy of Mr. Elbert H. Gary, president of the American Iron and Steel Institute, we have your favor of the 26th ultimo, addressed to Judge Elbert H. Gary, president, American Iron and Steel Institute, 61 Broadway, New York.

We would like to cast our vote as favoring the continuance of Pittsburgh as the basing point for quotations made on the products indicated.

There are a great many arguments in favor of this. There may be a few against it, but we believe the best interests of all concerned would be better served by a continuance of a rule which has been in force for many years, and has worked wonderfully well. It has served to stabilize delivered prices of purchasers all over the country, and we believe it is still the proper point for this basis to work from. We remain,

Yours respectfully,

Carnahan Tin Plate & Sheet Co.,
W. K. Singleton,
General Manager of Sales.

STATEMENT OF THE CHAMBER OF COMMERCE OF STEUBENVILLE, OHIO.

STEUBENVILLE, OHIO, *September 6, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Please find inclosed copy of resolution passed by the Steubenville Chamber of Commerce in relation to the proposed change in the practice of using Pittsburgh as a sole basing point in quoting prices on steel.

Hoping that this will receive favorable consideration at your hands, we remain,

Very truly yours,

——— ———, *Secretary.*

STEUBENVILLE, OHIO, *September 3, 1919.*

Resolution of the Steubenville Chamber of Commerce indorsing and advocating Pittsburgh as the sole and only logical basing point in the country for prices on steel.

Application having been made by the Western Association of Rolled Steel Consumers for a complaint against the United States Steel Corporation and others regarding the practice of using Pittsburgh as the sole basing point in quoting prices on steel, the Chamber of Commerce of Steubenville, after careful consideration, unanimously adopted the following resolution at its regular meeting on Wednesday, September 3, 1919:

Whereas the Pittsburgh iron and steel district has always been the largest producer of iron and steel in the United States; and

Whereas it has by common usage been the practice of all manufacturers of iron and steel, on account of the great preponderance of production of iron and steel in the Pittsburgh district, to make Pittsburgh the basing point for prices of iron and steel; and

Whereas the practice of making the Pittsburgh district the basing point for iron and steel, by reason of its very large production, existed by common usage many years before the United States Steel Corporation and other large steel interests were organized or located in the Chicago district; and

Whereas a basing point is a trade necessity looking to the development, stimulation, and stabilization of business, and is necessary to enable the buyer to compare quotations; and

Whereas in establishing a basing point we are removing, as far as possible, obstacles to the free movement of merchandise from manufacturer to consumer, as when all prices are quoted f. o. b. the basing point a comparison of prices is all that is necessary, the freight being equalized; and

Whereas two or more basing points will work an injury to industry as a whole, will mean a division into districts and interferes with buyer in placing his orders to advantage with the manufacturers best fitted to meet his needs, thus restricting competition; and

Whereas Pittsburgh, first the sole basing point, is the foundation of the steel industry, and by reason of location and tonnage output is the logical sole basing point, Pittsburgh will always remain a basing point, and as two or more basing points tend to restrict competition, it should remain the sole basing point; and

Whereas in consideration of the above facts it appears to be of the very highest importance to Steubenville, as a part of the Pittsburgh district, that Pittsburgh remain the sole basing point for prices on steel: Be it therefore

Resolved, That the Chamber of Commerce of Steubenville file with the Federal Trade Commission its formal protest against any change being made in the sole use of Pittsburgh as a basing point in naming prices on iron and steel.

Unanimously adopted by the Chamber of Commerce of Steubenville, and filed with the Federal Trade Commission September 4, 1919.

D. W. Case, *Secretary*.

STATEMENT OF CHATTANOOGA CHAMBER OF COMMERCE INDUSTRIAL BOARD.

Chattanooga, Tenn., *September 12, 1919*.

Federal Trade Commission,
Washington, D. C.

Gentlemen: Regarding the abolition of the trade custom of using Pittsburgh for a basing point for rolling-mill products.

There seems to be so little argument in favor of this and such a volume of argument against it that I hesitate to take up your time in filing a protest against abolishing the Pittsburgh basing custom. Fabricators of rolling-mill products are probably the loudest in application for the abolishment of the practice. If the consumer had any guaranty that a saving would be effected in the final cost to him of the items covered in this custom he might find a substantial argument; but, alas, it is scarcely to be conceived that the fabricator is advocating the death of this thoroughly established custom for the benefit of his customers, who alone pay the bill. I can see no good whatever to come from it, except to swell the profits of fabricators, who have, unquestionably, fared well for many years past. In my opinion, no single thing adds to the stability of the iron and steel trade as does this. To the fabricator it is protection; to the manufacturer of rolling-mill products it is a gentlemen's agreement, and a legitimate one; to the section of country that could support profitably a rolling mill and has none it is a protective tariff. For instance, there has been no rolling mill started outside the Pittsburgh-Wheeling territory that has not figured on the freight differential as an added profit while getting their feet on the ground. Do away with the basing point and there will be fewer rolling mills built in the next five years than there would be with no change. Aside from this, we certainly have a plethora of troubles. Why

should we want, this time of all times, to add to the thousand and one unsettled things, this thing that has worked profitably for a quarter of a century and is absolutely good for that much longer, to the benefit alike of the producer, the fabricator, and the consumer? There is no public demand for it.

Yours truly,

CHAS. W. HOWARD,
Manager, Industrial Board,
523–524 James Building.

STATEMENT OF PAGE STEEL & WIRE CO.

PITTSBURGH, PA., *September 13, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: 1. We most emphatically wish to register our objection to any change in basing point, for we located our mills at Monessen, Pa., with this knowledge, and likewise all locations were so decided upon by others, even Chicago and elsewhere, consequently no one has been injured, or should really have cause for complaint, as no snap judgment has been taken, all having built with Pittsburgh firmly established as a basing point, and it should so remain.

2. Furthermore, should any change take place, and one or more other points selected, it would not be long before many others would be claiming recognition, and eventually there might arise the necessity of making all sales f. o. b. mill, wherever located. This would be going back to primitive stages.

3. We can not imagine anything more destructive to business than any change at this time; in fact, we candidly believe it would be disastrous, resulting in most disturbing conditions to business, which already is having a struggle for existence, but through no fault of your honorable body. However, apparently it is within your province to help stabilize business by continuing Pittsburgh as the sole basing point, hence we appeal to you accordingly.

Very truly yours,

PAGE STEEL & WIRE CO.,
E. C. SATTLEY, *General Manager.*

STATEMENT OF PAGE STEEL & WIRE CO.

ADRIAN, MICH., *September 19, 1919.*

FEDERAL TRADE COMMISSION,
Washington, D. C.

HONORABLE GENTLEMEN: After having gone from this distant field and placed millions in the Pittsburgh district, because of its being the established basing point, this company begs to forcibly protest

against any change looking to the establishment of another or other such points.

The granting of a prayer from Chicago or elsewhere now for a change will surely be followed by others, and without question the interest of the majority can best be served by permitting no ruling to be made whatsoever touching the amending of present regulations.

Trusting this protest may have your honorable body's most careful consideration, we beg to remain,

Very sincerely yours,

PAGE STEEL & WIRE CO.,
JOHN E. CARR, *Treasurer.*

STATEMENT OF THE CHATTANOOGA CHAMBER OF COMMERCE INDUSTRIAL BOARD.

CHATTANOOGA, TENN.,
September 23, 1919.

Mr. VICTOR MURDOCK,
Commissioner, Federal Trade Commission,
Washington, D. C.

MY DEAR MR. MURDOCK: Inclosed find carbon copy of letter to Mr. McGinty, secretary Interstate Commerce Commission, relative to basing point for steel.

Yours truly,

CHAS. W. HOWARD,
Manager, Industrial Board.

SEPTEMBER 23, 1919.

Mr. GEORGE B. MCGINTY,
Secretary Interstate Commerce Commission,
Washington, D. C.

DEAR SIR: I understand that application 9–1296, referring to basing point for steel has been made to the Interstate Commerce Commission, and that this matter is of some interest to the Federal Trade Commission.

I have no interest in rolling mills or fabricating plants. It is simply my duty to make the best out of conditions, and the best of conditions as matters stand to-day are a combination of vexation and doubt. To me, the application is ill-timed even if it had merit, and to the very best of my knowledge and belief, it is void of merit. Under this basing point regulation, the steel business has prospered as no other branch of industry. If the bars were taken down to-day and every rolling mill in the country permitted to make its own rates at their warehouse door, it would not take one nickel per ton from cost to the consumer. The fabricator would get the lion's share or all of

it. Hundreds of rolling mills have been located all over the United States on the strength of this differential permitted by the basing point. There is still room for hundreds of rolling mills throughout the country. Destroy the basing point and you destroy 75 per cent of the prospect of creating new sources for supplying rolling mill products. The consumer is not asking for this; analyze it and you will find it is the fabricator and the dealer, and the dealers are using the soft pedal. What the country needs just at this time is stability and service, not a destruction of methods that have proved wonderfully successful in building up industries for the use of raw material and the employment of labor. I can not get the consent of my mind that the Interstate Commerce Commission will open this door for additional trouble.

Yours truly,

——— ———,
Manager, Industrial Board.

INTERVENING STATEMENT OF OAK FLOORING MANUFACTURERS.

[By L. C. BOYLE, of counsel.]

IN RE BASING POINT ENQUIRY.

GENTLEMEN OF THE COMMISSION: Touching the application for a complaint involving methods of steel producers in distributing their product in relation to a common basing point, the commission has seen fit to invite other industries to contribute such suggestions as might seem pertinent. In compliance with this opportunity, beg to submit the following:

It would not be proper for me to make comment on the situation as same may relate to the steel industry. My sole interest is to clearly indicate the practice and the custom as same apply to the various branches of the lumber industry.

Some branches of the lumber industry have for years followed the custom of using a common basing point in arriving at market conditions in distributing their product in common markets.

At the outset I desire to at once call attention to the fact that, as used by the lumber industry, the basing point practice is not employed as a means of increasing prices to the consumer. The custom's sole value is in the element of market stability that it furnishes. I can very well illustrate the situation by the market methods used by the oak flooring industry.

The oak flooring mills sell their product f. o. b. mill. Some years back the industry centered around Cincinnati and the Cincinnati gateway became the natural basing point. In time new producing fields were opened, as in Kentucky, Tennessee, and Arkansas. The custom, however, of using the Cincinnati basing point continued.

In so far as the practice may seem to touch the price element, as used in this industry such seeming surface relation to price is but a paper indication. This becomes at once apparent when the facts are understood.

As stated, the product is sold f. o. b. mill. Naturally the mill that has a strategical price advantage, due to location in relation to a given market, will use such advantage in competitive selling. The mill having a short haul and a lower rate will make a longer profit than the mill having a long haul and a higher rate. When the long-haul mill undertakes to sell in the market of a mill adjacent to such market such mill does so under the handicap of a heavy-rate burden and must adjust its f. o. b. mill price accordingly. To illustrate: A mill at Pine Bluffs, Ark., has a distinct rate advantage over a competing mill at Cincinnati, selling in El Paso, Tex.

Due to the custom of years all consumers are perfectly familiar with the rate from Cincinnati to all points of consumption. The Pine Bluff mill in adjusting its competitive selling price does so in relation to the Cincinnati base, thereby using the same rate basis as its competitor. Due to this fact it is the f. o. b. price that controls in so far as the rates is involved. As a result, the trade, both production and consumption, use the same trade language. As suggested, the practice makes for stability. The consumer is more concerned in preserving the custom than the producer, and this because if the basing point method was abolished there would be injected into the price situation a multitude of rates to be figured and considered in addition to the f. o. b. price. The trade is perfectly familiar with the practice, understands its use, and appreciates its advantages. Nothing would be gained in so far as delivered price values are concerned. If the short-haul mill was compelled to adjust its f. o. b. offer on the basis of the actual rate, the same result as to price would exist as now. In other words, if the Commission has the power and would so use it as to forbid a common basing point inexcusable confusion would result with no countervailing benefit. The trade does not ask it and the custom of years should be a guaranty of the wisdom of the practice.

It has occurred to me that I could help the commission get a correct view of this situation if I were to here quote statements made to me by practical operators; men who not only understand the practice but whose business has been built up in relation thereto:

STATEMENT BY WILLIAM J. ECKMAN, VICE-PRESIDENT, M. B. FARRIN LUMBER CO., CINCINNATI.

In quoting on steel products my understanding is that a price is given upon a. f. o. b. Pittsburg basis no matter from where it is shipped, and the freight from Pittsburg to that point added to such price.

This is not done in any branch of the lumber business that the writer knows of. In the lumber industry Cincinnati has always been accepted as the prin-

cipal gateway of distribution. You will probably recognize this from the fact that freight rates formerly broke upon Cincinnati or other Ohio River points.

It is therefore reasonable that if an equalization is essential to the conduct of railroad business for a stabilizing effect, a basic point in a largely manufactured commodity is also essential. Let us look at it from the buyer's or consumer's point of view. Any buyer or consumer will acknowledge that he prefers to have a stabilizing condition for his purchase of material. He knows then that his competitors are on an equal basis with him. Therefore, does it not stand to reason that a basic or distributing point forms the best means of stabilizing values and especially where this point is such where the freight rates break upon? Again, if this is a reasonable view from the buyer's standpoint, does it not follow then that it is a reasonable and constructive view from a manufacturing or selling point of view?

STATEMENT OF THOS. FORMAN, PRESIDENT, THOMAS FORMAN CO., DETROIT.

I have noted with much interest what you wrote relative to the basic point for commodities, and want to advise and insist that based on my many years of experience, it is always absolutely necessary to have a basing point for prices, especially on maple and oak flooring. This has been the custom on maple flooring for the past 20 years, upon which we have used Cadillac as basic point to the entire satisfaction of both manufacturers and consumers. This same works out with Cincinnati as the basic point on oak, and we hope you will use this as a necessity to our industry in your arguments in the future.

STATEMENT OF F. R. GADD, STATISTICAL SECRETARY, AMERICAN HARDWOOD MANUFACTURERS' ASSOCIATION, MEMPHIS, TENN.

I am somewhat familiar with the practice of using Pittsburgh as the basing point for the steel industry. For a great many years Pittsburgh was the center of the steel industry in the United States. There were few plants outside of Pittsburgh proper or the Pittsburgh territory. As the country west of the Mississippi River began to develop the steel corporation, needing more production, decided to erect additional plants, and selected Chicago for the location of these plants. They built plants in Chicago and Milwaukee, and other independent steel manufacturers also built plants at these points, until the steel industry in the Chicago district to-day is almost as large as in the Pittsburgh district; in fact, the greatest plant that the steel industry has to-day is at Gary, Ind., a suburb of Chicago.

During all this time the steel industry had continued to use Pittsburgh as the base point for determining prices, and while the steel consumed in the western States had been shipped from the Chicago mills, the price had been arrived at by using the Pittsburgh base.

In the lumber industry, instead of having our mills concentrated in two points, we have mills all over the United States, and it is the uniform practice of lumber manufacturers to sell their product at an f. o. b. mill equivalent with freight added to destination. It is true that in our sales reports we show the equivalent of all sales in the southern territory at Cairo and in the eastern territory at Cincinnati, but this is merely for convenience in figuring, because the freight rates in these two territories are made on Cairo and Cincinnati combinations. Any member can take the equivalent price at Cairo or Cincinnati and figure back to his mill and arrive at the realization price f. o. b. his mill on the sales made by any member. He then knows what his competition is and makes his prices accordingly. The hardwood lumber industry, however, does not sell lumber on a basic market price, and I do not see how the question involved in the steel industry could apply to the lumber business.

Permit me to emphasize this suggestion: I consider Mr. Gadd one of the very able men in the hardwood industry, and if the commission desires to have some one come before it that knows the situation in so far as the lumber industry is concerned and who really knows this problem from every angle, I would respectfully suggest that Mr. Gadd be called.

In addition to the oak flooring and hardwood industry generally using common basing points in distributing to common markets, the western pine manufacturers indulge the same practice. I here submit a very clear and comprehensive statement from Mr. A. W. Cooper, secretary-manager of the Western Pine Manufacturers Association:

First of all, I might say that the basing of prices on a common point is a custom that is as old as the industry itself in our country. Any group of competitive manufacturers seeking markets at a distance are governed in the price they ask by the competition and market price, not at their point of manufacture, but in the common markets. For example, for an inland empire manufacturer selling lumber in Chicago, the important point is the value and price that his class of lumber is bringing in Chicago, not at the mill. If he has a short freight rate to Chicago, he naturally wishes to take advantage of it and will sell at as high a price as competition will permit in Chicago, absorbing the advantage he may have in rate. Consequently, it has been the custom of the trade in developing the trade language to take some central point of production from which rates are made to all consuming markets and to use that as a basing point in figuring his delivered prices. To forbid him to use such a basing point would be to destroy the language of his business. It would become impossible for him to have a common price list, which is after all the language of his trade.

To be a little more concrete in the case of the Inland Empire manufacturers: Almost all of the freight rates to the consuming territory are predicated on Spokane. Some mills to some markets take less than the Spokane rate. Other mills take a somewhat higher rate, but in preparing a common price list for convenience and use the price is figured with the Spokane rate as a basis. The millman in selling quotes a price delivered and uses as his basis of figuring that price the freight rate from Spokane. If his actual rate is less he will net that much more at the mill, which is one of the natural advantages of his location. If his rate is more he will net that much less, which is a disadvantage of his location, but to deny him the privilege of using a common basing point in figuring his delivered prices and working out his price list as a convenient instrument in the conduct of his business would be to throw the industry into a state of chaos.

The only argument that I can see against the basing point would be that of the buyer who feels that he is entitled to a lower price in case he buys from a mill with a lower rate of freight, but I think a moment's thought will show that this is not a well founded argument as the important thing always is, what is the thing worth at its point of consumption, and there is certainly no reason for compelling the manufacturer with a low rate of freight to his market to deduct his advantage and pass it on to the consumer. Oftentimes this advantage is offset by other disadvantages: For example, we have a striking result of this in our own territory. While our Montana mills enjoy certain rate advantages up to a considerable distance east, as far as their freight

goes, have disadvantages in the character of their wood, cost of logging, etc., that sometimes offset any advantage in freight rate. They, like everybody else, however, base their prices on the Spokane rate of freight regardless of their actual rate. The use of the basing point thus becomes a logical and necessary economic instrument in the conduct of business and industry, and I should hate to see anything done in the complaint before the Federal Trade Commission that would effect the right of competitive producers to settle on and use a common basing point which, as I have said before, is nothing more or less than an adoption of a common language upon which to base quotations and statements of market condition and the like.

Before closing permit me to make this further observation. If the commission abolishes the basing point method it will at once take away from certain branches of the lumber industry their opportunity to study market conditions in the light of past transactions. Also a trade language that has existed for years will be thrown out of gear thereby disturbing plans for the correct understanding of the cost of production. All statistical work would be disarranged. These evil and unnecessary consequences would follow in the event the commission should take adverse action in this matter, and this not only without a demand from consumption but indeed without complaint. In fact the consumers would be as grievously burdened as would be the producers.

Respectfully submitted.

L. C. Boyle.

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